

International Journal of Scientific Research and Reviews

A Study on evolving trends of employee retention policies in Start-up Ventures

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ABSTRACT

The alarming challenge of budding startups is not in hiring employees, but in retaining them for a longer period of time with a view point of profit maximization. The vigor of the issue can be still resolved if it is in any medium or large enterprise, but the state goes even challenging when startups are at stake. The study is undertaken with due respect to find the zest of the issue in the startups and to suggest some feasible solution for the same. Various prospects of employee retention are being studied in the paper, irrespective of its industry inclination or size and phase of the business. The common hiccup glued in the context is retention of human resource and fulfilling their every anticipation in the loop. Different organizations implement different employee retention strategies as per their norms and grade, which is much explored and in-depth researched. However, startup ventures are found still struggling to maintain a balance between its growth and employees retention. Secondary data was collected through online News portals, magazine and past researches. The refined data collected is tested on reliability and their suitability point of view. The ultimate findings drawn from the study was that the although, startup ventures are not much researched topic, yet the few studies and reports which has been generated till date shows that, these emerging corporates are trying to implement unique retention policies both from its own growth perspective and employees retention too.

KEYWORDS- Employee retention, Employee retention policies, Startup ventures, Employee engagement policies, Small enterprises, Turnover, Attrition.

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INTRODUCTION

A startup venture is an entrepreneurial concept that is freshly established, firstly funded with fewer founders to introduce new ideas and is in the initial stage of its business Fontinelle, 2017¹. It is established with an aim to penetrate in the market to provide innovative services and products that are either completely unique in their notion with no prior work on it or are a reinvention in the revolving wheel. Now the crux in the former case may lead towards either failure due to its totally new conception, which does not interest the mind of the consumers or a booming success on diverging to this. However, the latter case exhibits to add something new into the one which already exists, hence will face many different types of challenges Mittal, 2016².

Pertaining to the aforesaid thought, India's honorable Prime Minister Sh. Narendra Modi on 15th August, 2015 (the proud occasion of 69th Independence of India), said that, "We are looking at systems for enabling start-ups. We must be number one in start-ups... Start-up India; Stand up India" Sengupta, 2016³. List of ingenuities were molded on the way to turn this dream into reality and the result turned India into third largest startup hub in the world raising the figure with more than 4,750 as only technology startups Modgil, 2018⁴. Other than technology many other industries also rolled remarkably high in the context.

Contrary to the brighter side, more are the number of start-ups more is the competition and so are the challenges. Also, count of giant corporates plays major role in amplifying the sense of competition. Furthermore, no matter how meditative the hitches are the aspiration to hoist at a glorifying height has never geared the pace of rising entrepreneurs and so they are committed to combat with the affiliated challenges. A paper written on "A study on challenges faced by Start-ups in India" by Padmaja Peram, shows that the major dares for start-up ventures are- Arranging funds, availing right team, regulations, slow operations and lack of customer knowledge and mentorship Peram, 2018⁵. Aligning the thought in the similar lane, Prof. Archana Surywanshi (2013), in the article "HR Challenges in Start-up", explains that, after the introduction of Liberalization, Privatization and Globalization in India, HR managers are facing many challenges due to increased competition. Recruiting the right talent, at the right time and for the right place, leveraging them with facilities, and retaining them in the unremitting changing environment, are indeed the biggest challenge.

Unfolding the fundamental fact that, Employees are the most common assets and resources of any company; and of course none of the concerns want to lose them. Hence, the most intrepid task left is to retain them by any means. They are more likely to get magnetized towards the lucrative package and perks, which certainly they get from the MNCs or other big firms. Start-up ventures on the gloomier side struggle among them in arranging funds, generating ideas, gaining market pace and

above all attracting and retaining talent on a lower tableaux. Consequently, they miss the marks and minuses the influencing anchors. Therefore, both the availability of the talent and their further retention for a longer period of time seems to be a nailing job, resulting which employee retention seems to be the roaring problem in the start-ups now a day.

A. *Current scenario of startups in India*

Government of India is prompting seriously towards providing support to initialize the aspiring startup ventures. Both the sparkling concepts of “Make in India” campaign in September 2014 and “Standup India” in 2015 were given equal privilege to ascertain the growth of Startups in India. The government in the same contexts has announced more Foreign Direct Investments limit to introduce more and more foreign investors and intellectual property rights to promote the buoyancy in the startups. Inspired by the government influential, numbers of the startups are growing at a fast pace adding more than 800 technology startups every year. Also, it is expected that if the growth of the graph shows the same elevation, around 11,500 technical startups will be established Kumar, 2018⁶.

Announcing the commendable figure of 10,000+ startups, India is having a position in the list of top 5 countries of the globe. Following table gives a clear overview of Startups in India –

Break-up of Indian Startup Businesses

Technology Based Non-Technology Based

E-Commerce - 33% Engineering- 17%

B2B - 24% Construction-13%

Internet - 12% Agri- products- 11%

Mobile apps - 10% Textile - 8%

Saas - 8% Printing& packaging – 8%

Other – 13% Transport & logistics- 6%

Outsourcing & support

-5%

Others-32%

Source: Startups India- An Overview, Grant Thornton, 2015

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	OTHERS – 32%

Source: Startups India- An Overview, Grant Thornton, 2015

The table thus has drawn shows that, although technology based industries shows a greater elevation in the growth percent of startup, other industries also shows remarkable drift in it. No matter whatever the growth percent may be employee retention has always been a challenge; may be it is because of initial phase of the business, lack of fund and its proper allocation, market establishment or rising competition. The paper thus is attempted with an aim to study various trends of employee retention polices in startup ventures.

REVIEW OF LITERATURE

Retention is undoubtedly a baffling part of any organization irrespective of its relative industry. Although the rate of retention and attrition varies as per the industry, the phase of the business and the organization; yet it is prevalent universally. Considering the unchanged part, study based on different industries comprising of different organizations on different phases of their business was undertaken. In the same concern when a study grounded on the intention to check the reasons why employees are leaving the call centers was conducted it was found that attrition rate is very high in call centers and there exist a bond between the employee retention policies and the reasons for leaving the organization. Compensation was found to play the most important role in retaining call center employees as per the study Dhanpat, Modau, Lugisani, Mabojane, &Phiri, 2018⁷. On the other way, when the response of Tex McIver, Senior partner of Fischer & Philips,

I.L.P in Fitness Business Canada, was recorded on the issue of increasing employee retention in Fitness industry, it felt on the ground that the job description and employer expectation should be clearly informed to the employees, and a positive working condition and environment should be maintained parallel to the manager's accountability McIver, 2013, p.14⁸. Adding to these, a study done on IT firm states that, Employer Branding also has a positive effect on employee retention and employer branding here comprises of psychological aspect of employees and sense of job satisfaction Tanwar& Prasad, 2016⁹.

Changing the industry a bit to education, when employee retention was studied in higher educational institutions of Pakistan, it was observed that psychological empowerment of employees by the support of organization deemed to be important for employee retention Iqbal&Hashmi, 2015¹⁰. On contrary to the service industry, when study was done on FDI manufacturing industry of Thailand, many independent variables comprising of training and development, compensation, benefits and rewards with a mediating variable of employee engagement and dependent variable of employee retention were undertaken Tangthong, Trimetsoontorn, &Rojniruntikul, 2014¹¹. Another paper presented by RuchiSinha and ChandranshuSinha on factors affecting employee retention in heavy engineering manufacturing industry. Different factors affecting the retention in middle managerial level of position in two different organizations were studied and the records revealed that competence, reward, futuristic, developmental, scholastic, reward and relationship oriented, factors were determining the employee's stability in the organization Sinha, &Sinha, 2012¹². Thus, accomplishment falls on the part that, may it be service or manufacturing industry, retention is a prevalent defy for all.

A. Employee retention policies in small and medium enterprises

Retention in small and medium enterprises holds a comparative degree of status on parallel to bigger firms. A study conducted by Olivia Gialuisi on employee turnover in small firms states that, undefined roles and responsibilities, narrowed career opportunities and interpersonal conflicts were some major reasons behind employee's turnover. Contrary, to this the management tried to bring up the concept of defined management structures, versatile roles, satisfactory remuneration, healthy and equal work environment to enhance retention of employees Gialuisi, &Coetzer, 2013¹³. In addition to this when another study based on small yet growth leaning firms showing low rate of turnover between 0-2% was conducted, it was analyzed that retention policies were much inclined towards the notion of employees with an aim to give them good compensation, flexible and positive work environment, better career opportunities and assistance. In

disparity, to these organizations having more than 10% of the employee's turnover shows less supplemented retention policies Kemelgor & Meek, 2008¹⁴.

No matter, how efficient efforts have been applied in engaging and improving the employee's efforts, yet they might not deliver the profit as expected, this relates with their motivation and employability at work and the issue of retention may get exaggerated. To ascertain, the same, various small and medium enterprises, has implemented various training alternatives to determine the employee's loyalty and increasing his probability of retention Beynon, Jones, Pickernell, & Packham, 2014¹⁵. Accordingly, the studies reveal that even small and medium enterprises (SMEs) are desperately working in the core area of employee retention.

B. Retention policies in startups

Hiring and retaining efficient resources in both the product and technology industry is the biggest challenges, says Nitin Sharma (Principal and founding member of Lightbox India Advisors Pvt. Ltd. Choudhary, 2015¹⁶). Also, small and medium enterprises stretch their policies to retain their valuable human resources. Pertaining to these, David Skok (a serial Entrepreneur) in one of his article on '5 reasons Startups fail', explains that hiring and managing a good team of talented employees is the primary key to success and failure of this may fold the startup Skok, 2016¹⁷. Understanding the supreme importance of team and its proper management, the thoughts are leading a step ahead of "hiring right people at right time for right place" to even "managing them rightly". This of course is a daunting task, but according to, Daniel Goleman in one of his article "The Focused Leader" of Harvard Business Review article in December 2013 it is mentioned that, Cognitive control is the key essence behind any management task, and so are the strategies for retention too. This requires cognitive control of management over day to day activities of the employees, making clear interaction so that the employees may not get distracted and remain focused towards the bigger picture for their task Edward, 2014¹⁸.

Furthermore, the thought of Rohit Shroff, a proud CEO and Co-founder of Holidify says that, the actual deft of any startup is to attract and retain an employee who is first motivated to opt a startup as their employer and skills comes second. Thus, in order to connect a sense of belongingness among the employer and the employees the organization hits to update and upgrade its employee engagement activities. Consequently, the employees may retain, increase productivity, profitability, shareholder return and customer satisfaction. Contrary to this, the organization's which do not believe much in employee engagement activities suffers from absenteeism, lower productivity and profitability Kompasso, & Sridevi, 2010¹⁹. Employee engagement here relates to the acknowledgement of the employees, to praise their worth in the work that obviously gives them a

sense of psychological satisfaction and safety. Also, as per a study of Chen et al. 2016; the higher employee engagement activities startups are much efficient in handling tolerance for failure and can deal with the uncertainties, which are common in the portfolio of startups. Relatively, it is evident that startup ventures should be rigorously working towards increasing employee engagement activities Saks and Gruman, 2014²⁰.

RESEARCH GAP AND OBJECTIVE OF THE STUDY

The logical rationale on the part of the objective of the study states to uncover the policies and the strategies, which, startups are following in uncommon with that of corporate giants. Undoubtedly they struggle to do the same, but what matters most is the success rate in turn of the rigorous practice. Thus, the objective of the study, hereby is -

1. To uncover the evolving trends of employee retention policies in start-up organizations After a thorough analysis of various studies done till now on employee retention and the policies of the employers for the same, an affirmative inference is drawn. Considering every sector may it be service or manufacturing it is a universal fact that retaining employees is a challenge for all. Although, every sector and its organizations are stretching their best to retain their employees, yet the crux lies in the ultimate result. Now, if we lens down the upshots of startup ventures in the context of employee retention or the policies implemented by the owners in a kin concern, many dares do decline the contest even more. Though, the fact that Startups being an important boon, contributing in the increasing economy, yet they are not much researched upon. Employers are struggling to retain their barely joined employees and bliss them with an inner sense of job satisfaction.

NEED OF THE STUDY

Choosing an emerging employer itself is a courageous decision on the part of employee. Undoubtedly, there would be many expectations of employees related to their perspective career growth, challenging roles and recognitions, benefits and healthy working environment, too. However, the initial phase of any venture is surely not easy as there are many impending jutes to be joined, procedures to be defined and implementation of all has to be done. Now, as the setup is new and a lot has to be done, there are possibilities of hitches on one or the other role. In this case, the creamy visions of the struggling employees get shattered with every adding responsibility on their part. Furthermore, this phase of employment adds a tweak of negativity in the form of frustration, exploitation, denunciation and job insecurity at last. Henceforth, the exasperated employee leaves the startup. Thus, retention is reckoned as one of the most nailing confrontation in any startup venture.

Furthermore, relevance of the study thus lies on the path to find out the various contributing factors which are playing major role in retaining startup employees, changing practices of employee retention policies in startup ventures and to analyze employee rationale behind leaving the same.

DATA COLLECTION

Secondary data was preferred for data collection of the study, as it supports in understanding what has been done till now under the particular heading and what has been left out as a gap. Adding to this it helps in getting a better understanding of the concepts and provides a base for comparing data's of different researchers and therefore assists in building a strong rationale.

The required data was preferred from various different sources like past researches, trade journals, online magazines, publication of government, public records, reports of various businesses and news portals. The reliability of the data has been confirmed by the name of the collector, source, methods of collection and suitability.

FINDINGS AND CONCLUSIONS

Evolving trends of employee retention policies in startup ventures were studied in-depth on the online news portal and following studies have been considered relevant in the context –

- As per a publication in Economic Times by Aparna Desikan on April 30, 2019, the instinct of entrepreneur has led the IT engineers to join much more global startups who are in the growing stage. In the same context companies like Grab Taxis, Delivery-Hero and Go-Jek hire executives with around 3 to 10 years of experience in departments like data science, full-stack development and product management. The team is of course exposed with a global exposure after their efficient efforts on their role, said by the co-founder of Skillenza, Subhendu Panigrahi. Relatively, CEO of Xpheno, Kamal Karanth says that international startups offer around 20% or more salaries. In fact, Swiggys and Zomato (the budding startups) are paying high on their part. With a global exposure, projects and assignments, such companies provide higher growth prospects and an opportunity to work with divergent team Desikan, 2019²¹.
- Rhett Power (an entrepreneur) in his report on Forbes.com says that, in spite of giving training to the employees to retain them, startup ventures are not able to get appropriate results. Neither can they find any such retention role model organization whose strategies they may follow. These are most common among Technology with the utmost turnover rate of 13.2%, followed by the retail industry at 13%. It was also studied that, an employee replacement may cost between 50% and 125% of the person's salary. Hence, it is by no means a small amount to leave, thus here considerations are most important in this prospect –

- Understand the right time and need to hire as bad, reckless and unplanned hiring decisions causes 80% of turnover.
- Hunt for good fit, as every key cannot match the lock, so are the employees. Thus, to reduce turnover proper match should be focused upon.
- Make the onboarding day most memorable one for the new joiners in startup. As per O.C. Tanner, an employee recognition company it is proved that 69% of the employees dream to stay in the company for 3 or more than 3 years, on behalf of their positive experience on their first day of joining.

Consecutively, conjoining all employee retention rates in startup ventures could be positively raised Power, 2018²².

- Dinah Wisenberg Brin (an entrepreneur) in her report on “Employee Development the top new year’s resolution for growing startup RippleMatch”, writes that, as the startup ventures are growing, even the employees should grow with it. Relatively, a New York based Job site RippleMatch is in a mode to offer such roles to the people in the rising startup that can groom their perspective for another 2 to 3 years. Thus, they design long-term growth plan for the professional development of their employees, and in turn centralizing their retention too Brin, 2018²³.

Findings of the study show that, Startup ventures are struggling hard to retain their employees along with its other defies competing, growing and hoisting in the corporate world. Furthermore, the challenges too are roaring loud on employer’s part, yet when they have to grow, primary concern is to retain their backup boon. Thus, these growing ventures in a kin aspect, frames many different and unique policies and trends in order to engage, satisfy, and ultimately retain its employees. Resultantly, thorough practices of their drafted trends are also leading them to positive employee retention.

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