

## **A Study on Challenges for Startups in India with Special Regard to Human Resources**

**M Prashanth Babu**

**H No: C64, Apurupa Colony,  
Jeedimetla, Hyderabad- 55.**

### **Abstract**

*The economic development of a nation depends on growth of startups. The Government of India (GoI) had developed supportive framework for encouraging startups. This paper explains the importance of startups for India. The challenges faced by startups like non-availability of skilled human resources and abundant financial funds are described in this paper. It is found from this study that non-availability of experienced human resources is the biggest challenge for entrepreneurs of startups in India. An entrepreneur in India is working hard to pool the financial resources compared to entrepreneurs in developed nations like United States.*

**Keywords:** *Startups, entrepreneur, human resources, financial resources, economy.*

### **Introduction**

On 15th August 2015, honorable Prime Minister Mr. Narendra Modi stood at the Red Fort and made a call to “Startup India, Stand up India”. It is evident from the words of Prime Minister about the importance of startup companies for economic growth of India. The availability of human resources is one of the major issues for startup companies compared to traditional companies (Ochtel, 2009). Startup companies can be defined as “ a company newly formed for developing new products usually innovative products under certain market or economic conditions” (Shabangu, 2015).

There is significant growth of startup companies in India in the last 10 years. Most of the startup companies technology-based and innovation-driven and they are launched by motivated, educated and high-energy

founders. The startup companies are positively influencing the productivity of variety of industries like retail, healthcare and entertainment. In India three top most funded cities for startups are Delhi, Noida and Gurgaon (NCR Capital), Bangalore and Mumbai.

### **Objectives of this study**

1. To know about importance of start-up companies in India.
2. To explain importance of human resources for start-up companies.

### **Literature Review**

Many startups have been failed due to lack of realistic estimates with regard to market demand and competition. According to Patel (2015), “lack of market need for their product” is the single biggest reason for failure of startup companies. The four big challenges for a startup companies are competition, rapid growth, adding talent and fast-paced market (Cutler, 2014). One of the important things for startup to be successful is to have clear ‘idea’. There can be many ideas among the entrepreneurs but it should bring a product which gives sustainability for the company (IIT, 2015). Another reason for failure of startups is lack of right teams for attaining the goal of the organization (Griffith, 2014).

Many entrepreneurs do not analyze the reasons for failure of startup but doing post-mortem after failure gives insights to future entrepreneurs. The startups also face the issue ‘running out of cash’ due to lack of efficient budgeting for the project.

Shabangu (2015) had explained that innovation is driving force of economy in a knowledge-based society.

Due to high present when introducing new products and services, innovations are usually commercialized via isolated formal formations such as startup companies. Crowne (2002) had stated that inexperienced staff is one of the major causes for failure of software development startup companies. The startup companies with entrepreneurs who formulate realistic goals and don't underestimate their weaknesses and threats can attain success (Reid & Smith, 2000).

Balch (2015) had mentioned four major challenges for start-ups which are (1) not having the right policies in place, (2) not keeping proper records and paperwork, (3) not hiring and firing smart employees and (4) having a "too small to matter" mentality. Whenever financial downturns occurs the startup companies experience crisis situations. The impact of macroeconomic factors should be analyzed by entrepreneur of startup companies (Paik & Woo, 2014). It is evident from success of companies like Zomato, Flipkart and Make MY Trip that there is lot of scope for startups in India.

### Research Methodology

The secondary data had been used for conducting this study. The journals, magazines, books and electronic sources are used for data collection. The keywords like startups, challenges for entrepreneurs, government support for startups have been used while searching for literature for this study. After reviewing the literature the information was used to explain importance of startup companies and challenges of startups was also explained.

### Importance of startups

The technological advancements lead to economic development and it needs the support of startups. The developed nations resolve their issues through technology. At present India is in third position with regard to number of startups behind United States and Britain. If number of startups increase then India will become self-sufficient with regard to technology. Startups help for self-employment and also create more number of jobs. The imports can be decreased and

exports can be increased with growth of startups. At present the government is also encouraging startups with seed fund and also providing tax exemptions. The process of establishing startup is also simplified with single window system. Startups boosted the economy with revolutionary technology and created new industries over time. And when they went public, they truly became money-making engines for not just the owners but also for the employees and shareholders.

### Importance of human resources

Startups bring new products to the new markets. It is difficult for entrepreneurs to get experienced employees. Hence it would be challenging for startups to possess the sufficient human resources. Since startups are new companies the experienced applications may not show interest to work with a company that has uncertain future. For financial resources the internet technology can be used to contact the investors and venture capitalists whereas accessing the human resources is tough task.

The startups cannot define standard job roles and responsibilities therefore it would be difficult to compensate the employees appropriately and it may increase employee turnover rate. In the recent decades it is observed that companies like Google, Infosys and Facebook are the most successful startups at the global level. The only reason behind the success of those organizations is their human resources. For example Infosys Technologies, leading software company based in India, was chosen the best employer in many human resource (HR) surveys in the recent years. The company was well known for its employee friendly HR practices. Though Infosys grew to become a US\$ 2 billion company by the year 2006, it still retained the culture of a small company.

### Conclusion

The lack of perfect business plan is also one of the causes of human resources in start-up companies. It is evident from the literature review that success of startup companies is the primary cause for economic

development in developed nations. In India the number of startups is increasing at a faster rate and if it continues in the same magnitude then dream of ‘Make-in-India’ can be attained very soon. The government is helping the startups with initial capital, tax exemptions and subsidies on variety of resources. There is abundant manpower in India but skilled manpower especially for knowledge driven industries like software development is an issue.

Even in present world there is no substitute for Windows operating system and Android operating system in India. There is strong need for developing the technology so that India attains self sufficiency with regard to technology specifically in software development. Many of the electronic products are being imported either directly or indirectly in the form of semi-finished goods. But now it is essential to train the existing manpower in India so that there would be availability of human resources for startups. The government should also allocate more funds for startups so that employees can be given training on specific skills need for particular jobs. The entrepreneurs of startups should develop a human resource strategy so that human resource challenges can be managed.

### Future Research

The future researchers can collect the primary data from entrepreneurs of startups. The social networking sites can be used to collect information from entrepreneurs with specific regard to human resources. Many of the startups have been established in three places like national capital region (NCR), Bangalore and Mumbai. Hence there is need to conduct research why startups are not being established in places like Hyderabad and Chennai. Further there is need to categorize startups according to their respective industry.

### References

1. Balch, S. (2015, April 21). The 4 biggest HR challenges for startup companies. Retrieved from PhonenixBusinessJournal:  
<http://www.bizjournals.com/phoenix/blog/business/2015>

/04/the-4-biggest-hr-challenges-for-startup-companies.html

2. Crowne, M. (2002). Why software product startups fail and what to do about it. Evolution of software product development in startup companies. In Engineering Management Conference, 2002 , 1, 338-343.

3. Cutler, Z. (2014, December 11). 4 Big Challenges That Startups Face. Retrieved from Entrepreneur India:  
<https://www.entrepreneur.com/article/240742>

4. Griffith, E. (2014, September 25). Why startups fail, according to their founders? Retrieved from Fortune:  
<http://fortune.com/2014/09/25/why-startups-fail-according-to-their-founders/>

5. IIT. (2015). WHY DO MOST INDIAN STARTUPS FAIL? Retrieved from IIT Delhi:  
<http://www.cse.iitd.ernet.in/~srsarangi/startups.html>

6. Ochtel, R. T. (2009). Business Planning, Business Plans, and Venture Funding: A Definitive Reference Guide for Start-up Companies. CA: The Carlsbad Technology Group, Inc.

7. Paik, Y., & Woo, H. (2014). Economic Downturn and Financing Innovative Startup Companies. Managerial and Decision Economics , 35 (2), 114-128.

8. Patel, N. (2015, January 16). 90% Of Startups Fail: Here's What You Need To Know About The 10%. Retrieved from Forbes:  
<https://www.forbes.com/sites/neilpatel/2015/01/16/90-of-startups-will-fail-heres-what-you-need-to-know-about-the-10/#3644737f6679>

9. Reid, G. C., & Smith, J. A. (2000). What makes a new business start-up successful? Small Business Economics, 14, 165-182.



Volume No:2, Issue No:7 (July-2017)

ISSN No : 2455-7595 (Online)

# International Journal of Research in Management Studies

A Peer Reviewed Open Access International Journal  
[www.ijrms](http://www.ijrms.com)

10. Shabangu, S. (2015). The Startup Recepte: A Guide for Young Entrepreneurs. Daveyton: Lulu Publishing Services.