Understanding the Start-up Organizations

What is the issue?

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For start-ups, bringing in the next round of funds takes precedence over putting in place HR processes and systems.

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What is the business model of IT start-ups?

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- **Funding Mechanism -** Most of the IT based star-ups receives funding without earning them.
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- An idea which showed promise or a proof of concept and held potential was enough to get angel investors funds to line up.
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- **Innovation -** In the star-up environment bunch of talented set of people come together to create the next big wave.
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- **Profitability -** While one concedes the fact that the business models of an IT services company and that of an e-commerce one are completely different, profitability is at the core of any venture.
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- **Options for merger -** The mushrooming of co-working space is most probably a good indication of where start-ups are conceived, grown and in the end either merged with another one or shut down.
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What are the issues with the star-ups?

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- **Work environment -** The companies in the nascent stage lags in the proper working environment for their employees such as safety standards,

monitoring committees, and other HR related areas.
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- For instance matters such as harassment at workplace are left unnoticed in the start-up companies
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- **Corporate Governance -** The armature nature of the company pulls the organization from implementing several good corporate governance practices in place right from the beginning.
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What is the way forward?

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- There is absolutely nothing wrong with the business models of start-ups because the next big innovation in any field can only come from the sheer talent that promoters bring to the table and where ideas get monetized.
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- To tie them down with processes or by bureaucracy is as good as stifling their creativity.
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- Therefore, to ask the promoters to dress up their start-ups with the best HR practices when they don’t know when and from where their next round of funding will come from and whether they will exist in the next quarter, can be quite cumbersome for them unless the ventures which fund them insist on putting in place such norms.
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- As ethics and morality are not only the cornerstones of any successful entity but also that of individuals, Start-ups cannot be blamed in this regard.
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Source: Business Line

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