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Human Resources Management in Startups versus Mature Companies - a Pedagogical Case Study

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Master in International Management

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Business School

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“When the winds of change blow, some people build walls, others build windmills.”

I would like to thank my family and friends for always encouraging me, and pushing me to be better, and my supervisor, for all the support, help, and patience during this process.

A special thank you to my mother, for teaching me that not all bad things happen for a bad reason.

RESUMO

Quando olhamos para uma empresa como um todo, é natural assumir que a Gestão de Recursos Humanos numa empresa mais pequena, como uma startup, deveria ter um papel semelhante ao que tem em empresas mais maduras. No entanto, isto nem sempre é verdade. Por um lado, algumas coisas podem, e devem, funcionar de maneira semelhante; por outro, há vertentes da Gestão de Recursos Humanos que têm de ser diferentes, pois poderão afetar a performance global da empresa.

Este estudo de caso descreve a experiência de trabalhar numa startup internacional, do ponto de vista da Gestão de Recursos Humanos, bem como a de trabalhar numa grande empresa. O objetivo é entender quais são as diferenças entre as duas, bem como o que causa estas disparidades, e ainda que soluções podem ser implementadas em startups, dado as restrições de recursos que estas empresas enfrentam.

Após a análise das experiências de trabalhar numa startup e numa grande empresa, foi possível concluir que as diferenças encontradas entre as práticas aplicadas na gestão dos recursos humanos destas empresas se prende principalmente com uma falta de planeamento e investimento por parte das startups nessas mesmas práticas. No entanto, há formas de contornar estas questões, tais como o outsourcing da gestão de recursos humanos, ou o investimento em formas de compensação não monetárias.

Palavras-chave: recursos humanos, startups, grande empresas

Classificações JEL: M13 Startups, O15 Recursos Humanos

ABSTRACT

By looking at companies as a whole, we could assume that Human Resources Management would play a similar role in small firms, such as a startup, to that which they have in more mature companies. However, this is not always true. While some things can, and should work the same, with others it cannot be so, as it will affect the overall performance of the company.

This case study goes through the Human Resources Management experience in a multinational startup, and in a mature company. The goal is to understand what are the differences between the two, what is causing those disparities, and what solutions can be implemented in startups, given the resources constraints these companies face.

After analysing the experiences of working in a startup and in a larger company, it was possible to conclude that the differences found in the Human Resources Management practices are mainly due to the lack of planning and investment of startups in these practices. However, there are some ways of going around these issues, such as outsourcing HRM or investing on non-monetary forms of compensation.

Key-words: human resources, startups, mature companies

JEL Classifications: M13 Startups, O15 Human Resources

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GLOSSARY OF ACRONYMS

CEO: Chief Executive Officer

HR: Human Resources

HRM: Human Resources Management

US: United States of America

1. CASE DEVELOPMENT

At the beginning of 2018, Ana had just graduated from her bachelor's in economics from a leading university in Coimbra, Portugal. She wanted to enter the working force as soon as possible, even if it was as an unpaid intern. Coincidentally, an opportunity presented itself in March of the same year, when she heard of a company based in Coimbra, in need of a new sales and marketing intern. The company, *Onda Azul*, was a two-year-old software startup founded by two people, one living in Portugal and one living in the US and, therefore, based off of these two countries. After contacting *Onda Azul*, Ana started working at the startup in March of 2018. During her six-month experience, Ana would integrate the sales team. But her work ended up being much more challenging than she expected because. As Ana came to find, what startups lack in bureaucracy, they make up in lack of resources and autonomy.

Will Ana's experience at a startup differ from that of her peers, working in larger companies? What challenges will she face because of the company's startup condition? Will she be able to grow, personally and professionally, the same as she would in a different environment?

1.1. A SWIFT RECRUITMENT - FROM BEING A STUDENT, TO BEING A PART OF A STARTUP'S TEAM

After finishing her Bachelors, Ana wasn't sure what career path she wanted to follow. She had spent the last three years studying economics, but was not interested in being an accountant, working at a bank, or anything else directly related with her studies. This made it difficult to take up jobs in the same companies as her peers, so she had to look elsewhere.

One day, Ana was chatting with a friend, Joana, who had started working in the sales area at a startup. She described a youthful and easy-going environment, with room to grow. Following this conversation, with the intention of gaining some experience, she decided to email some startups with headquarters in the city of Coimbra. She got their contact information from the respective websites and, although these companies were not actively looking for new people, Ana thought it could not hurt to try contacting them anyway. On her email, she included her academic background, as well as her main interests, which included marketing and sales. After

a while, she got a positive reply from one: *Onda Azul*. Curious enough, it was the same company where Joana had started working the month before!

The person replying to her email was Rui, who introduced himself as one of the co-founders of *Onda Azul*. They needed a sales and marketing intern, to work alongside with Joana, Ana assumed, and, although she would not be getting paid, Ana was happy to take this opportunity to develop herself and learn about a field that interested her.

For their first meeting, Rui, the Portuguese co-founder of *Onda Azul*, asked Ana to meet him at their office, so that they could talk about what the company would expect from Ana, and what she expected in return.

Ana had heard some of her friends from university taking about their recruitment experiences. Some of them had even been through multiple assessment moments: a first interview with a recruiting company, a group dynamic with other candidates, and a final interview with the person who would lead their future team. In comparison to this long process, Ana felt she was skipping a lot of bureaucracy. At first sight, this seemed as though it made the process much more efficient. But was it equally effective in recruiting the best people for the job?

Ana was looking forward to her interview with Rui. She was a bit nervous, as it was her first experience of the kind, so she thought it would be best to be as prepared as she could. She searched online for tips on how to behave in recruitment interviews, and even talked to Joana about how her interview had gone, seeing as it was the same company. From her account, it had seemed like a very straightforward conversation.

“You have nothing to worry about.” Joana told her “Rui is really nice and, at least in my case, he did not ask any technical questions. You sort of learn about those things as you work, he doesn’t expect you to know much about sales or marketing beforehand.”

After speaking with Joana, Ana thought herself ready for the interview. Just in time because just three days after she got the email reply, Ana went to meet with Rui. She found him in the café of the building where *Onda Azul* had its office. They sat at one of the tables and began

the interview. Rui started by asking Ana to talk a bit about herself. She explained her academic background, which activities she had been involved in during her Bachelor and finished by telling him about what she expected to be doing in the future.

“I have also been applying for master’s degrees in Universities in Lisbon. It has always been my goal to do my Master in the capital, and I’m just waiting for the results.” Ana explained.

“That is very interesting, Ana. Which master’s degrees did you apply for?” Rui asked.

“So far I am waiting for the results of three: International Management, Human Resources Management, and Marketing.” She clarified.

Rui seemed more interested in hearing more about the first one, International Management, so Ana proceeded to talking a bit more about it. After she had finished, Rui continued the interview.

“What made you want to come work at *Onda Azul*? What do you know about the company?”

Ana told him she knew Joana, and that she had been the one who introduced her to *Onda Azul*. She explained she had researched the company online but could not get a proper sense of what they did. “Could you explain it to me further?” She asked.

Following this request, Rui explained a bit about the company and its history.

“*Onda Azul* was founded in 2015 by Antonio and I. He is from South America, and we met when we were both getting our Doctorate degrees. He now lives in the US, where most of our market is.” Ana listened closely to *Onda Azul*’s story and, although she could not visualise its concept yet, she believed she would come to understand it better with time.

“Since 2005, the company has grown a lot! Nowadays we have around fifteen employees working not only here, in Portugal, but also in the US, where we also have headquarters. We have a team of developers for backend and frontend, as well as a team of designers and, of

course, a sales team. This is where you come in! As I said in my email, we would like you to integrate our sales team, together with Joana, whom you already know.”

“There is just the question of payment.” Rui continued. “Right now, we are not able to pay you for your work. If it is okay with you, your internship will not be paid at first, but we can review these conditions in a few months, depending on whether you would like to continue working with us or not.”

Ana knew startups have limited resources, and her friend already working at *Onda Azul* was not being paid either. Nonetheless, she wanted to gain some work experience, and she truly felt that she could have a positive impact on the company, and vice versa. She accepted the conditions proposed by Rui, with the prospect of a different future in mind.

When the interview was over, Ana was able to relax a bit. In comparison with the interviews of other friends working in larger companies, her interview had seemed much easier and lighter than Ana could have expected!

After agreeing when she would start working, they went on to *Onda Azul's* office, to meet the rest of the team. It was a small office, where everyone worked together. She met the team of developers, both back-end and front-end, as well as the team of designers. The office was small, and everyone was working side by side. Rui introduced the head of each team first and, although they were older than Ana, they were not so old that she would feel intimidated by them. When it came to the rest of the team, they looked even younger. Rui explained that they took on a lot of IT interns that had just finished university. That was the reason why their team was so young.

“However,” Rui continued, “that also means we are very dynamic, and new ideas are always welcome here, at *Onda Azul!*”

Ana thought back at the conversation that had made her want to work at a startup, and realised it was all true.

1.2. A QUICK-START TO ANA'S WORKING LIFE

The weekend went by and, next Monday, it was Ana's first day of work. She could not wait to start. She had talked to her friends and asked them about what type of activities they had done on their first day. The answers were more or less the same, and all related to training, and getting to know the company and their specific job tasks: some had had induction weeks, others some seminars, and even some online training.

This helped them learn more about their companies and the industries where they operated. Ana thought this was very important, especially because most of them, like her, were starting their first jobs. She hoped she would be having the same kind of experience, especially seeing as she knew almost nothing about *Onda Azul*, it being a very recent company working in a niche market.

When she got to the office, Rui introduced her to some other colleagues working in other countries, all of whom were a part of the sales team, just like Ana and her friend, Joana. In fact, Ana would have the opportunity to work closely with one of them, Chris, supporting him in the sales process. Knowing this made her even more excited to start, because not only would she be working in a young and dynamic environment, but it was also international, something she had always wanted to experience.

Soon Ana was sat in her new chair, getting out her computer and connecting to the internet, ready to start working. Joana and Chris would be the ones explaining everything to her, and they started right away. Ana would be doing the same as Joana but, while her friend worked directly with Rui, supporting him in the beginning of the sales process, Ana would be helping out Chris. Ana found it very interesting that Rui, the CEO and co-founder of the company, was also a key player in the sales team. But then again, she pondered, who better than him to sell his own product?

Everything was new to Ana, and she felt a bit lost at first, not knowing exactly what was the final purpose of what she was doing. However, she figured she would be getting more insights

on that as time went by, and focused on listening to Chris' instructions, as well as Joana's insights.

The first days went as Ana would expect, learning more about her functions and getting her hands dirty right away. She understood *this* was the "startup way", unlike in bigger companies, that had much more bureaucracy. The only thing that bothered her was the fact that her contract was not ready for her to sign during the first week.

In order to solve this issue, Ana decided to talk to Rui about it, as he had been the one recruiting her. He assured her that they were working on it, and it would be ready in a short time. Still, Ana was not completely at ease with the situation. She tried to understand whether this was happening in other companies as well, so she talked to some of her friends. People in all types of companies said that they signed their contracts from one day to one month after starting to work. Ana became less worried, and decided to continue reminding Rui about the contract, but not dwell too much on when that would be. In fact, the contract was ready some weeks later, and Ana happily signed it.

From the beginning, Ana felt she was a part of the company because, not only was she included in the activities and some small decision-making, but everyone was very nice and helpful with everything.

1.3. THE STRUGGLE TO WORK WITHOUT FORMAL TRAINING

When she first started, Ana was responsible for the sales pipeline creation. This meant contacting possible clients and forwarding them to one of the salespeople. This was not a very challenging work, and Ana learned in the first weeks most of its quirks. She did not have any formal training but learning by doing seemed to be just as effective as any other training she could have had, seeing as her work was so hands-on. The only type of training she felt she was missing was something to help her move forward in the sales process on her own. She wanted to have more responsibility and, according to Rui, that was the plan.

Ana could not wait to have her own clients to manage, even if that took some time to happen. She wanted to be prepared, so she decided to talk to Rui about the subject of training. They must have some budget for it, she thought. That was the standard in other companies, so why would it not be so in *Onda Azul*? In fact, she could think of more areas where *Onda Azul* and her fellow colleagues could benefit from training. Seeing as they did not have formal marketing and human resources departments, the people responsible for those tasks would be better qualified to do those tasks if they were given the opportunity to learn more about it!

With this in mind, Ana went to Rui to discuss ideas about training, and the future. She explained some of her points of view about possible training topics. Rui seemed quite pleased with her ideas, and promised he would talk to Antonio about it to see what they could do about it. It seemed he was not sure whether they had enough funding for everything Ana was suggesting. However, Rui agreed that they could benefit from it, and believed their investors would come see it too, and approve using the funds.

With this conversation, Ana started to understand that startups had some constraints she could not directly see, but that severely affected the decisions of its founders regarding the future. Because of their youth and size, most startups, such as *Onda Azul*, are not able to be fully independent from their investors, who expect to see the planned results being achieved. Not reaching them could become an issue and even prevent the company from continuing to operate. For this reason, Rui and Antonio had to run a lot of the decisions, especially the ones involving spending large amounts of money, through their major investors.

Despite this, Ana was confident they would be able to find some funds to be used in training. However, contrary to what she expected, the subject eventually died out, and the issues that required more training continued the same.

As time went by, and Ana started having more responsibility, she started to feel her lack of training more strongly. She started gathering new customers via e-mail on her own, which meant that, at some point, she would have one-on-one conversations with them, to show the system's functionalities.

Ana was nervous about the future. She felt like she didn't have enough experience in talking to clients to be doing this on her own. She sometimes felt unsure on how to answer potential clients' contacts. Although she could always count on the support of Rui, and other members of the sales team, she still felt like she would be better prepared for her new roles if she had training.

Not soon after, Ana's first conference call with a client was scheduled. With Rui's help, she prepared the best she could. Although she was not confident it would go perfect, she hoped she would be able to communicate the right message. They practised some times, and then she trained some conversation pointers on her own as well. She wanted to be prepared, to help *Onda Azul* grow as much as she could.

Despite all these efforts, Ana was still quite anxious when the call started. The team of clients on the other side was composed of five people, and they were all older and more experienced than her.

"Good morning, everyone." Ana started. She continued by introducing herself and Rui, who was also participating in the call. She was talking very fast, and Rui signalled her from across the office to slow down her pace, which Ana made an effort to do.

After introducing the company briefly, she noticed the people on the other side of the line had not spoken a single word. Ana had been so focused on saying all the information in the manner she had practised, that she forgot to make basic conversation with the prospect clients. She could see no way of asking them about their day now, as she had already blurted out so much information on *Onda Azul*. The time for that had passed, she realised, and moved on to the next step.

"I would now like to call on my colleague, Rui, who will show you the system in full." She said and proceeded to turning off her microphone.

Rui continued the call, and Ana could already notice the difference in the clients' reactions. He would interact with them often, and they answered back. Nonetheless, Ana could not help

the feeling that they were holding back a bit on their reactions. Could it have been her fault? Did her lack of experience jeopardise *Onda Azul*'s chances of landing a new customer?

This situation brought back memories of Ana's initial times at *Onda Azul*, when she wondered why she did not get more formal training.

"Maybe if I had had more instruction in the beginning, I would be more prepared for my future assignments." She shared with a colleague from the engineering team, after the meeting was over.

"I feel the same. I didn't learn anything about the programming language we use here at University. When I started working, I basically learned as I went." Her colleague added.

For the rest of the day, Ana waited to hear some feedback from Rui on how the meeting had gone. She wanted to hear from him about positive and negative points of her performance and, from that, know where she had to make improvements. However, the rest of the week went by with no concrete feedback from Rui. As Ana did not know how to start a conversation on that topic herself, the matter of performance management continued hanging above their heads, never being addressed in a way Ana could use to improve herself.

1.4. CONFUSION IN MEASURING PERFORMANCE

As Ana started having more responsibilities, and the sales team grew, Rui and Antonio decided to start tracking the results this team achieved. Although, at first, this seemed like a good idea, the issue, Ana came to understand, was with how this would be done.

Rui began by implementing a weekly planning of the numeric goals to be achieved by the sales team during that week. Then, the team would go over the actual results of the day, every day, and define a strategy for the next day based on what had already happened. This was not productive, and translated in confusion and too many strategies that were not tested properly. All in all, there was not a specific plan or roadmap on how they were supposed to achieve the numbers they were planning!

So now they had a strategy for measuring the numbers achieved in the sales process, although it was not the most efficient one. However, they still lacked a process for measuring more personal goals. As a consequence, Ana could not tell whether she was developing or not, whether she would get a promotion or not, and this caused her to feel insecure about her future.

“I can’t see how much of my objectives have been achieved if I haven’t even defined what those objectives are!” She shared with a friend, who was working at a large tech company.

“That is so strange!” Her friend replied right away. “At the company where I work, we have weekly meetings to define our team’s plan for the week. But we also have annual or semi-annual meetings with our direct management to define personal goals, discuss issues that might have arisen, just whatever you need to talk about.”

“That is so different from what we do! We discuss those things more ad hoc, there isn’t a defined period of time for discussing personal goals, for example.”

“How do you know which areas need improvement, and what progress has already been achieved?” Her friend asked.

Ana did not have an answer for this last question.

“Can you explain further how performance management is done in your company, please? Maybe I can find a way to improve how things happen at *Onda Azul!*” Ana said.

“In my company it is not mandatory to conduct performance reviews with interns. But, six months after I started my internship, my boss thought it would be a good idea to do one.” This was so different from Ana’s situation, she thought. Her friend continued explaining: “I had already had some training regarding the company, its goals and mission. We still went through them, and then my boss proceeded to clarifying some questions I had about my job description.

“Afterwards, he showed me a plan with general objectives and performance goals, and we talked about how to make it work for my position and future goals, as well as what I can do to improve in some areas, in order to achieve the goals we established. I also gave him some feedback, which I was not expecting he would ask me to give. However, I am glad he did, because it has really helped improve our employee-manager relationship.”

“What do you do with those goals now? Is there any tool to track them?” Ana asked.

“We have performance reviews every six months where we go through our personal and professional goals. That means that, in our next meeting, my boss and I will be taking a look at how I performed during the previous six months, as well as reviewing my goals for the future. I think it is really cool that we are doing this during my internship, even though it is not mandatory yet. Besides, from what I hear, other managers at my company do it too, which I think is great for us, interns, to start being more responsible for our assignments, and to feel be more a part of the company.”

Ana liked hearing the account from her friend, but it also made her feel even more lost in her own situation. She thought back to her first interaction with a client, which had not gone very well. How different could things have been if she had had a development plan from the beginning? Probably, she would have been preparing herself for that moment, done more research. And, even if things had not gone well, she would have gotten direct feedback from Rui, which could help her the next time a situation like that occurred.

Ana wondered how it would be possible to implement at *Onda Azul* something similar to what other companies were doing for managing performance, but she could not see it going forward, because it would take away too much time and resources. She was becoming weary of facing so many difficulties in things that are essential for a company, such as training, performance tracking and decision making, in general.

1.5. COMPENSATION AND BENEFITS

Ana had been working at *Onda Azul* for four months when she started to feel unease about the fact that she was doing an unpaid internship. At first, it seemed like it would not be a big problem for her. However, she was now looking to the future, thinking about whether she really wanted to continue working at *Onda Azul*. She was already getting more responsibility, but she wanted her hard work to be translated into something more concrete and make her future more secure.

This was a sensitive topic, not only for her personally, but also for the company. Ana was aware of the different levels of approval that decisions had to go through, given all the challenges she had already faced. Nonetheless, she wanted *Onda Azul* to be a part of her future. She wanted to know how things had happened for the rest of her colleagues, who were not interns, so she decided to talk with a friend from the engineering team.

“I have been wondering about whether I want to continue working at *Onda Azul*, and the fact that my internship is not paid is a big determinant. If you don’t mind me asking, how do you feel about your compensation situation?”

“As you know, I started as an intern, too. I was doing my master’s, and I did my thesis with *Onda Azul*. That means that, when I first started here, I didn’t get paid either. However, after six months, Rui offered me a one-year contract!” He told Ana.

“That sounds great! And do you feel the conditions he offered you were fair?”

“In truth, yes! I already liked working at *Onda Azul*, same as you. And Rui was quite generous with his offer. At least for someone who had just graduated. And, of course, there are other perks, such as the flexible work hours.”

Ana was very interested in her colleague’s story, but she was still curious about how things worked in other companies. After talking to some friends working in larger companies, Ana understood that they were not used to asking for promotions. In their cases, they already had

a monetary compensation guaranteed from the beginning, as well as some other benefits. Moreover, their salaries would be revised regularly without their intervention. Yet, Ana knew that, when it comes to startups, things are different. While it is true that they did not have salary revisions the same way other companies have, Ana could not overlook the fact that, at *Onda Azul*, they had other benefits, such as weekly team bonding activities. Ana found them to be very rewarding and could not imagine working at a company that didn't organise some type of team bonding activity once in a while. Nonetheless, she felt she needed some financial security.

To Ana's surprise, it was Rui who went to her about her compensation situation.

"I believe you deserve monetary compensation for your work, and since we do not have any more unpaid interns at *Onda Azul*, we do not think it is fair for you to not be paid either." He told her.

Ana was thrilled with this, and promptly accepted the conditions he proposed. Her internship would now be a paid one, and she would get a new contract reflecting it. Now she could truly see a future for herself at *Onda Azul*.

1.6. MANAGING MOTIVATION

After some time, Ana's tasks started getting more repetitive, and there were not many new things for her to do. There seemed to be no new challenges, and no new responsibilities being bestowed upon her. Ana had always been a very dynamic person and did not like stagnation. This sense of not evolving stroke Ana's motivation hard. Not only were her tasks not adapted to her stages of growth, but she was also unable to feel content with the work she was doing. While talking to Joana, her friend and colleague, she confided in Ana that she was starting to feel the same way, and was beginning to wonder whether she would gain more by leaving *Onda Azul* and going to work at a different company. Ana, on the other hand, was not considering that yet, despite all the setbacks she had faced.

When it came to her relationship with her colleagues, for example, Ana was very satisfied with how they communicated with each other. The company organised team building activities on a regular basis, which improved the connection between all the employees, and made it easier to share ideas and ask for help from other areas of the company. She would also get praised for her good work and was included in some decision-making processes. Nonetheless, she still felt her job description needed some readjustment, not only for herself, but also to benefit the company.

Because she had some marketing background, Ana thought she could help *Onda Azul* grow in that area and attract more potential customers. She took this idea to some of her colleagues, who thought it would be great. Two of the designers even offered to help her, which Ana appreciated. However, they reminded her, she would still have to take this idea to Rui and Antonio.

As she had done times before, Ana went to Rui with an idea clear on her mind. She would like to start building a social media plan for *Onda Azul*, with the help from her colleagues in the design team. This would be a good complement to her daily tasks. She would be both contributing to boosting the sales pipeline, and making her work more diverse, challenging, and including other areas that interested her.

As she presented her ideas to Rui, Ana could see his interest growing. He clearly liked the idea of attracting more clients, and he could understand that *Onda Azul's* social media profiles had long been needing an update. He was just not sure whether Ana had enough time free from her other tasks to fully work on it.

“I would like you to continue focusing on what you are doing now, on improving the pipeline generation process we are currently using.” Rui told her.

Ana was not convinced, but she was unsure of whether she would be able to change Rui's mind. Her previous experiences told her she would not be successful, so she decided to compromise.

“I could give the people in charge of the marketing some help.” She suggested. “I wouldn’t need to dedicate all of my time to it, but it is something I would like to get involved in.”

“That sounds great! And you say the design team would like to help?”

“Yes, exactly! Maybe they could head of the project, and I could lend them a hand whenever they need.”

“Ok, Ana, that sounds like a plan!”

With Rui on board, things started happening, even if slowly, and Ana’s motivation started to rise as she got more involved in building a marketing strategy for *Onda Azul*. With the help of her colleagues, who she leaned on often, she was eager to continue working at *Onda Azul* for some more time.

No more sensitive topics arose in the next few weeks, until July, when Ana got some great news about her future: she had been accepted into one of the masters to which she had applied! The only issue was the fact that she would have to move to another city in order to attend classes.

1.7. PLANNING FOR THE FUTURE IN THE EVER-CHANGING ENVIRONMENT OF STARTUPS

Having received the news that she would be starting her master’s degree that September, Ana took the topic of her immediate future to Rui: what possibilities awaited her inside and outside of *Onda Azul*?

On their first meeting, Ana had told Rui she was interested in getting a master’s degree starting the next school year. When she started working at the company, she had already applied to some masters, which she had mentioned to Rui as well. Now, she had a new development: she had been accepted to one. This meant she would not only be starting classes again, but she would also be moving to another city.

She told Rui about this and, although he was happy for her, he also seemed a bit apprehensive. It was not the same thing working in the office, and working from home every day, and Ana had not been in the company for that long, so they were not sure her performance would be the same in both circumstances. She decided the best way to prove herself would be to continue giving her best and making sure she showed her desire to be involved in as many activities as she could.

Every once in a while, Ana would ask Rui for some sort of confirmation on whether she would be able to continue working with *Onda Azul* after she started her Masters. However, he would never give her a prompt answer. He would always say he had to talk with Antonio as well, but to Ana it seemed like he never did so.

“How is it possible that he still has not told you anything?” Joana asked one day.

“I don’t know.” Answered Ana, truthfully. “I don’t want to be too insistent and always be asking Rui about it, but how else am I supposed to get an answer from him?”

“You know how it is. If you want something to happen around here, you have to go after it.” Joana said. That was true. Even though there was a lot less bureaucracy in startups than in larger companies, with time, Ana was beginning to realise that what startups lacked in bureaucracy, they made up in lack of autonomy, which ended up delaying everything just the same.

A month went by without Ana getting a straight answer from her boss. Her motivation was down and, despite the fact that she was getting paid, she was starting to doubt whether she wanted to continue working at *Onda Azul*. Did she really want such an uncertain working life? Nonetheless, she believed in the company, and was fond of her colleagues, so she lingered on.

In August, Rui finally came to her with the final decision. With so much time having passed, Ana was not too optimistic about what he would say. Contrary to her expectations, however, her boss had good news!

“We really like your work and would love for you to continue working with us, even during your Masters.”

“Thank you!” She quickly answered. Ana was over the roof with this decision. “And, of course, I will continue coming to the office as much as I can!” She added.

“Exactly, we would still like you to do all your normal activities and, seeing as your classes take place after work, you can still participate in all the meetings we usually have.” Rui seemed excited as well, which made Ana happy. She felt appreciated and more motivated than ever.

“Thank you for trusting me!”

“I have another proposal for you.” Rui continued. “Antonio and I were talking and, seeing as your contract will end in the last week of August, we think it is time you enter the company as an employee, rather than an intern. What do you think?”

“I would love to!” Ana promptly answered.

With only a couple of weeks left for the beginning of classes, Ana agreed with Rui that she would get two weeks of vacation. She would use those days to rest and get herself ready for the new stage of her life, where she would have to balance classes and home-office, and signing a new contract that would consolidate her future at *Onda Azul*.

1.8. AN UNEXPECTED TIPPING POINT

After one week of vacation, it was finally time for Ana to move to a new city. She had taken those days off with the intent of easing that process, and she felt she had made the right decision. She moved during the weekend and, by Monday, was ready for her first class. She would only go back to work the next week, so she took the day to sightsee.

The previous day, Rui had texted her saying he needed to talk to her. However, Ana assumed it would be about work, so she asked him to call her on Monday. During the day, she waited for this call, but it only came around six p.m., when she was about to get into class.

“Hello, Ana. How are you? Is your vacation going well?” Rui started.

“Hi! Yes, it is going great, thank you. How is everyone at the office?”

“Everything is good. Are you able to talk now?” He continued.

“I’m heading to class, but I have a few minutes.” Ana replied. She noticed a strange tone in Rui’s voice, but she could not pinpoint what was causing it.

“The reason I am calling you is because we had a meeting with our investors last week, and they say we will not be able to reach our yearly goals if we do not make some internal changes. We might have to make some cuts.”

This information did not shock Ana. She knew young startups were not financially independent and relied extensively on investors to keep the business running. Therefore, it would only make sense that those investors had some control of the company. She thought she would be okay with a salary cut, as long as there were good perspectives for its improvement in the future.

However, that did not seem to be the direction the conversation was taking. Rui continued to go on about cuts, but Ana was getting the feeling he was talking about letting people go, instead of just reducing wages. With her first class about to start, and her patience wearing off, Ana could not let Rui go on rambling any longer without clarifying what they were actually talking about.

“Am I getting fired?” She asked, point-blank. Rui seemed a bit taken aback by Ana’s assertiveness, but he finally understood he could not go around the subject any longer.

“I am afraid yes, Ana. We are sorry to do this, but we cannot maintain your position anymore. We liked having you working with us and are very sad to have to let you go like this. But we had no other choice.” He finally said.

Despite Rui’s apologies and praises of her good work, Ana could not help but wonder what she could have done better. They agreed to talk in a few days so that Ana could pass on her sales pipeline contacts to Rui, and that was it. As abruptly as it had started, Ana’s semester working in a startup was over.

Still with the phone-call in mind, and far from getting closure from her experience at *Onda Azul*, Ana headed into class, wondering how different her first work experience would have been if she had started her career in another, more mature, company, as most of her classmates had.

2. PEDAGOGICAL NOTE

2.1. TARGET AUDIENCE

The aim of this case study is to understand the differences between Human Resources Management in startups, and in larger and more mature companies, as well as to explore the challenges faced by startups due to resource constraints. This was done by examining the experience of working in these two types of company, and how the main human resources topics are approached.

The case study is targeted at both bachelor and master students from Human Resources and Management, as well as executive programs for startup or entrepreneurs.

The case study can be used as a means for students to understand the practical implications of a company's size and age in the application of different Human Resources Management techniques. Is there a right way to do Human Resources Management? Or should they be interpreted in different ways, depending on the specific characteristics each company has? The main objective is for students to have a means of analysing different situations, in order to provide them with the ability to develop effective and efficient solutions to real life problems from a management point of view.

2.2. EDUCATIONAL OBJECTIVES

The case study is focused on Human Resources Management in startups, and the difference to the practises applied in bigger companies. Therefore, it was developed with the following educational outcomes and objectives:

- a) Studying the HRM model in enterprises;
- b) Identifying the differences in HRM between startups and bigger companies;
- c) Understanding the challenges of implementing the HRM practices of big companies to startups, and exploring the possible solutions to such challenges.

2.3. LITERATURE REVIEW

Startups

As written by Fontinelle (2020), a startup is a young company founded by one or more entrepreneurs to develop a unique product or service, with the final intent of selling it in the market. Because of its entrepreneurial nature, a typical startup tends to be a shoestring operation, with initial funding coming from the founders themselves, and even their family and friends. Therefore, one of the first challenges a startup faces is to prove the validity of its concept to potential lenders and investors, in order to increase its financial resources.

According to Cardon & Stevens (2004), startups face two liabilities: newness and smallness. On the one hand, newness translates into the challenge of entering unknown industries or groups, and the consequent need to find ways to gain legitimacy in those industries. On the other hand, smallness can be understood as the lack of the resources necessary to look for new opportunities, or to weather bad markets or periods of heavy competition (Bruderl & Schussler, 1990; Ranger-Moore, 1997).

Human Resources Management

Human resource management involves developing and administering programs that are designed to increase the effectiveness of an organisation or business. It includes the entire spectrum of creating, managing, and cultivating the employer-employee relationship.

The key Human Resources functions are:

- Recruitment and Selection: identifying, attracting and selecting the right person into the right job to meet the organisational HR requirements (Beardwell & Claydon, 2007);
- Training and Development: systematic process of providing employees with certain competencies, such as knowledge, skills, and abilities (Lepak and Gowan 2010);
- Performance Management: performance appraisal, feedback, goal setting, and training, as well as reward systems;

- Compensation and Benefits: financial and non-financial rewards payable to employees in return for their services (Mondy & Noe, 2005);
- Motivation and Retention: monetary compensation is not the sole motivator for employees to remain (Sandhya & Kumar, 2011).

For most organisations, the human resources department is responsible for:

- Managing job recruitment, selection, and promotion;
- Developing and overseeing employee benefits and wellness programs;
- Developing, promoting, and enforcing personnel policies;
- Promoting employee career development and job training;
- Providing orientation programs for new hires;
- Providing guidance regarding disciplinary actions;
- Serving as a primary contact for work-site injuries or accidents.

The fact that many specialised HR activities, such as recruiting, are not frequent in small ventures (Cook, 1999) means the costs of hiring highly trained HR professionals are likely to be prohibitive (Arthur, 1995). Consequently, as Longenecker, Moore, & Petty (1994) point out, HR activities often become the responsibility of general managers. This raises the question of whether HR tasks may interfere with managerial responsibilities, which are directly related to revenue production (Cook, 1999).

Recruitment and Selection

Recruitment is when prospective employees are searched for and are then encouraged to apply for jobs within the organisation.

Selection is the process of identifying an individual from a pool of job applicants with the requisite qualifications and competencies to fill jobs in the organisation. This is an HR process that helps differentiate between qualified and unqualified applicants, by applying various techniques.

According to Beardwell & Claydon (2007), the recruitment and selection process focuses on identifying, attracting, and selecting the right person into the right job to meet the organisational HR requirements. Recruitment and selection processes can be considered to be one of the most critical functions of an organisation. Having the right people, with the right skills, for the right tasks can be a source of competitive advantage (Chungyalpa & Karishma, 2016).

Despite the fact that small businesses usually do not have formal HR departments (Aldrich & Von Glinow, 1991), all firms have recruitment and HR policies, even if they are implicit. However, recruiting presents some problems for small organisations (Gupta & Tannenbaum, 1989): they have limited financial and material resources (Hannan & Freeman, 1984); they lack legitimacy as an employer-of-choice (Williamson, 2000); in many jobs at these firms, employees typically perform multiple roles (May, 1997); the strategies used in recruiting are often sporadic and ad hoc (Klaas, McClendon, & Gainey, 2000).

In order to reduce the effects of not having an organised structure for recruitment, small firms primarily use sources that are convenient, inexpensive, and directly controllable by the company, such as direct applicants, personal and employee referrals (Heneman & Berkley, 1999) and online ads.

When it comes to selection, it is done mostly through interviews (Deshpande & Golhar, 1994), training experience, education requirements for the job in question, reference and background checks. Henneman, Tansky & Camp (2000) believe that, for these smaller companies, it is more important to align the applicant's competencies with organisational values and culture rather than aligning basic knowledge, skills, and abilities with minimum qualifications for the job. For startups, the focus is on selecting someone who fits with the organisational culture, who is able to perform new duties as they are added to the current job, who is able to handle multiple jobs as needed, and who has the ability to take on future jobs as they arise in the organisation.

When it comes to recruiting, the biggest challenge for these companies, according to Cardon & Stevens (2004), is to effectively attract and select candidates in the absence of trained HR

personnel or significant managerial expertise in this area. To address this challenge, the authors suggest that small ventures could gain legitimacy in their industries by adopting recruiting practices that reflect industry norms.

Another point of view that appears in Cardon & Stevens' (2004) research is that for some small businesses, their uniqueness provides the organisation with competitive advantages in acquiring labour resources, where firms purposely adopt practices that are a radical departure from industry norms.

Cardon & Stevens (2004) present two other options to make recruitment more efficient and effective in small firms; these are outsourcing recruitment to professional organisations, and contingent labour. Regarding outsourcing, startups would benefit from the fact that those companies can provide firms with highly trained HR experts and HR services, such as recruiting, for significantly lower time and financial investments than firms can provide alone. Small firms can also recruit necessary skills through engagement of contingent labour, such as temporary workers, independent contractors, interns, and consultants; this strategy may enable the firm to both lower its cost structure and to respond more quickly to changing market conditions.

Training and Development

Training can be defined as a systematic process of providing employees with certain competencies, such as knowledge, skills and abilities, so that they will be able to carry out their current jobs effectively and efficiently, while development refers to learning experiences that focus more on the long term, for preparing employees for responsibilities in different jobs, usually at the management level (Lepak and Gowan 2010). Though training is often designed for new employees, it is an imperative component for experienced employees as well (Evans & Davis, 2005).

Over the past century, training and development in organisations has undergone a remarkable transformation (Bell, Tannenbaum, Ford, Noe & Kraiger, 2017). Not only that, but the role of training and development has also changed and is viewed today as not only a way to enhance

individual capabilities, but also as a valuable lever for improving team effectiveness and for organisations to gain competitive advantage (Noe, Clarke, & Klein, 2014).

A critical step in developing and implementing a job-relevant training program that meets trainee needs is identifying what needs to be learned. Training needs analysis is the process used to determine individual, team, and organisational training needs. Based on this information, appropriate decisions can be made regarding the objectives of the program and the content to be covered in training (Goldstein & Ford, 2002).

However, Banks, Bures, & Champion (1987) found that, for small organisations, the cost of training programs and time spent away from productive work are important considerations for determining what training opportunities to provide to workers. Furthermore, sources of formal training are more restricted for small firms, and they tend to rely upon trade associations, short college seminars, and in-house training for employee development.

In small firms, unstructured training, informal on the job instruction, and organisational socialisation are also quite important and are often seen as substitutes for formal training processes (Chao, 1997). In fact, small firms pride themselves on providing workers with more hands-on and highly interactive learning opportunities (Rollag, 2002) and avoiding formalised systems and practices more typical of large, bureaucratic organisations.

Speaking specifically of socialisation, this training technique is a long-term process where individuals learn their roles within an organisation, and adjust to job demands, organisational culture, and other incumbents (Chao, 1997; Van Maanen & Schein, 1979). Socialisation includes both formal training, such as through formal orientation programs, and informal training that occurs once newcomers begin performing their jobs.

Studies suggest that socialisation processes in small organisations differ from those in large ones. Rollag & Cardon (2003) suggest that the process of socialisation occurs more quickly in smaller organisations, as newcomers are more readily incorporated into meetings and social events such as lunch, are given more meaningful projects to work on, and are not isolated from organisational incumbents or senior managers. As a consequence, smaller firm's

newcomers' job satisfaction and productivity are greater than their counterparts in larger organisations.

Performance Management

Performance management refers to the wide variety of activities, policies, procedures, and interventions designed to help employees improve their performance. These programs include goal setting, performance appraisal, feedback, and training, as well as reward systems. Performance management systems begin with performance appraisal, and then focus on improving individual performance in a way that is consistent with strategic goals and with the ultimate goal of improving firm performance (Aguinis & Pierce, 2008). In other words, an effective performance management system requires a shared understanding of what needs to be achieved, followed by managing and developing people in a way that enables the accomplishment of common objectives between employees and the company (Dransfield, 2000).

Aguinis, Gottfredson & Joo (2012) recommend that organisations use their performance management systems to create and maintain individualised developmental plans for their top performers. These are agreed-upon, individually tailored courses of action to be taken by both the manager and the employee to improve performance. The objectives of such plans include improving performance in the employee's current job, preparing the employee for advancement, and enriching the employee's work experience (Aguinis, 2013).

The performance management process includes six closely related components (Aguinis, 2013):

1. Prerequisites: there are two prerequisites. First, there needs to be good knowledge of the organisation' mission and goals, in order to allow employees to contribute positively to their units, and the organisation as a whole. Second, there is a need to have good knowledge of the job in question. This can be achieved by doing a job analysis, through which it is possible to determine the key components of a particular job: what tasks need to be done, how they should be done, and what KSAs (knowledge, skills and abilities) are needed.

2. Performance planning: performance planning includes the consideration of results and behaviour and a development plan. A discussion of results needs to include key accountabilities, specific objectives for each key accountability, and performance standards, while a discussion of behaviours needs to include competencies. The development plan includes a description of areas that need improvement and goals to be achieved in each area.
3. Performance execution: performance execution is a responsibility of both the employee and the manager. On the one hand, the employee has a responsibility to communicate openly and regularly with the supervisor, as well as to be prepared for the performance review by conducting regular and realistic self-appraisals. On the other hand, the supervisor is responsible for observing and documenting performance, updating the employee on any changes in the goals of the organisation, and providing resources and reinforcement so that the employee can succeed and continue to be motivated.
4. Performance assessment: both employee and supervisor must evaluate employee performance. This increases the employee's ownership and commitment to the system, as well as provides important information to be discussed during the performance review.
5. Performance review: performance review is the moment when the employee and manager meet to discuss the employee's performance. This meeting typically emphasises the past: what the employee has done and how it was done. However, an effective appraisal meeting also focuses on the present (changes in compensation that may result from the results obtained) and the future (discussion of goals and development plans that the employee will be expected to achieve during the period before the next review session).
6. Performance renewal and re-contracting: this component uses information gathered during the review period to make adjustments as needed.

If any of these components is implemented poorly, the entire performance management system suffers.

According to Feás, Bastida & Calvo (2012), the survival of startups operating in an entrepreneurial and hostile environment necessarily involves the clear and consistent definition of their strategic objectives, enabling them to guide the efforts of their employees towards a common goal, to plan and prioritise work and to be familiar with the resources, human and material, required for medium and long term success.

After analysing the performance management and appraisal process in technology start-ups, Feás, Bastida & Calvo (2012) identified a series of organisational implications which should be kept in mind when establishing the conditions that will ensure it functions correctly. They concluded that a performance appraisal system cannot be designed in isolation, and should, instead, be built in coordination with the overall company strategy, and be consistent with policy on salary, training and internal communication. Furthermore, it also requires a close relationship between human resources and systems design and maintenance, as well as appropriate management of professionals' motivation and team work.

The success of a performance management system requires that the design of wage, training and professional development policies favours achievement of the company's objectives and an organisational structure which guarantees the consistency and fairness of evaluation criteria, on which the system's credibility rests. Only then will performance management allow the organisational behaviour of emerging companies in a changing and hostile environment to be planned and prioritised, affording them an understanding of which resources they require and enable them to direct the efforts of their professionals toward a common goal (Feás, Bastida & Calvo, 2012).

Compensation and Benefits

Mondy & Noe (2005) define compensation as the cumulative financial and non-financial rewards payable to employees in return for their services. These are usually based on the value of the job, the level of personal contributions, efforts and performance (Milkovich & Newman, 2005). At the organisational level, compensation is key to attract, retain, and motivate employees to continue contributing towards organisation's success (Philips & Fox, 2003). In fact, as Chiu, Luk & Tang (2002) pointed out, many organisations not only use the

compensation system to reward and recognise employees' efforts and contributions, but also as a motivation tool to enhance their productivity through improving job performance, reducing the intention to leave and increasing career satisfaction.

Compensation systems are traditionally designed to attract and retain employees, and to motivate them to increase their effort and outputs toward the achievement of organisational goals (Bergmann & Scarpello, 2001). Compensation is also considered as one of the most significant costs to operating a business. Johari, Yean, Adnan, Yahya, & Ahmad (2012) believe that compensation not only influences hiring and retention decisions, but it is also an important tool to align employees' interest with organisational goals. This is done by designing and providing rewards for meeting specific goals assigned to them.

There have been extensive studies on the outcomes of compensation. Trevor, Barry, & Boudreau (1997) found that salary growth and other non-salary benefits provided to employees have a significant influence on their intention to quit. Miller & Wheeler (1992) found that employees' intention to stay is significantly affected by the total compensation package. In fact, several studies on productivity emphasise that high talent individuals often seek high pay. As a consequence, if organisations are able to offer attractive compensation packages to their employees, they will be more likely to stay in that organisation (Shepherd & Mathews, 2000; Jardine & Amig, 2001). The contrary, however, is also true, as organisations that fail to provide equitable compensation would result in employees' negative attitudes towards them.

In their study, Johari, Yean, Adnan, Yahya, & Ahmad (2012) corroborate the premise that compensation and benefits have a significant association with the intention to stay in an organisation. These authors' conclusion is consistent with Chew & Chan's (2008), Parker & Wright's (2000), and Shepherd and Mathews's (2000) findings that employees' perception toward the benefits they receive has a strong predicting role on their intention to stay. Johari, Yean, Adnan, Yahya, & Ahmad (2012) also found that, when compared to training or career development, compensation and benefits were perceived as more important in fulfilling the subjects' basic and instant needs. Meaning they placed higher value on reward-related

matters, particularly compensation and benefits, in ensuring their stay in the present employment.

Compensation initiatives may occur through profit sharing, employee ownership, a comparatively high level of pay, performance-contingent pay, and/or team-based pay (Evans & Davis, 2005). Startups, however, have financial resources constraints; therefore, they can take part in better compensating individuals through equity options, a powerful incentive with a large upside if the company is successful. This can also help align the goals between owners and employees (Bendickson, Muldoon, Liguori and Midgett, 2017).

Motivation and Retention

Motivation is an HRM topic that has been widely studied. As a consequence, it has been defined in many ways. However, there are some common notions. From the studies of economy, psychology, and human resources, motivation refers to reasons or factors that encourage, or make people behave in a particular way (Bratton & Gold, 2012).

Moreover, motivation also refers to the intrinsic and extrinsic elements that influence an individual to act in certain ways or take certain actions (Nahavandi, Denhardt, Denhardt, & Aristigueta, 2014; Pinder, 2014). Plessis, Douangphichit & Dodd (2016) sum up that motivation is a force (either intrinsic or extrinsic) that makes people do what they do. This means individual motivation is influenced by both internal factors (including personal needs and expectations) and external factors (organisational reward and compensation).

As stated before, motivation can be generated from inside the individual. This is known as intrinsic motivation (Gerson, 2006). Intrinsic motivation is a form of self-actualisation in which a person needs to accomplish something worthwhile. In other words, it is self-generated or self-motivated and is free from financial rewards (Plessis, Douangphichit & Dodd, 2016).

On the other hand, motivation can stem from outside the person, and influence their behaviour and actions; this is known as extrinsic motivation. When applying the idea of extrinsic motivators to a working context, it is clearly seen that these kind of factors influence

most employees to come to work, as they think of their work as their main source of income (Neely, 2007; Pullins, Haugtvedt, Dickson, Fine, & Lewicki, 2000). The organisation should try to create a link between intrinsic and extrinsic motivation (Plessis, Douangphichit & Dodd, 2016).

Holding on to good employees enables the growth of the company, both in terms of performance (e.g. higher profits, increased visibility) and contribution to company culture (e.g. vision, motivation) (Zingheim, Schuster & Dertien, 2009). In fact, highly successful companies have realised the importance of employee satisfaction, and have invested in employee care, generating, in response, a company culture that fosters innovation and loyalty, and has resulted in high employee retention rates (Azanza, Moriano & Molero, 2013).

The opportunities for development that an organisation provides to its employees, such as internal career opportunities, have been linked to prolonged employee commitment (Sandhya & Kumar, 2011). Work-life balance and job characteristics have also been found to heavily influence employee retention (Coetzee & Stoltz, 2015). In fact, it has been found that monetary compensation is not the sole motivator for employees to remain, but that other aspects, such as having a leader perceived as competent, are equally important (Sandhya & Kumar, 2011).

Retention is heavily influenced by engagement, and Alegre, Mas-Machuca, & Berbegal-Mirabent (2016) identified three relationships within organisations that affect employees' engagement at work:

1. The relationship between the employees and the organisation (level of commitment);
2. The relationship between the supervisor and the employee (support, acknowledgment, guidance);
3. The relationships among co-workers (feeling of belonging to a social group, emotional connections).

When it comes to startups, what their founders can do, in their positions as leaders and managers, is to shape and encourage the kind of company culture that will enable engagement (Deery & Shaw, 1999). Managing human resources is challenging in the

environment of entrepreneurial growth and individualism-driven leadership (Bilevičienė, Bilevičiūtė & Paražinskaitė, 2015), and, in a study conducted by Zingheim, Schuster & Dertien (2009), the interviewed corporate leaders recognised the importance of preventing the people with accumulated skill sets from leaving for larger companies.

The departure of employees can have consequences beyond the expenses of recruiting their successor, as now the skills that the employee has, that used to be at the disposal of the company, are now contributing to another, possibly competing, organisation. Companies also lose information with every employee that leaves, but the valuable data on e.g. customers, projects, and strategies, is passed forward to the new employee who may need time to adjust (Sandhya & Kumar, 2011).

2.4. METHODOLOGY

After identifying and analysing the main ideas of this case study, it is important to explain the methodology used to develop it.

Firstly, it was important to understand the different experiences people had when working in the two different types of multinational companies analysed in this case study. Secondly, it was necessary to understand the theoretical background behind Human Resources Management in both cases. All in all, the consolidation of the information gathered allows for the final goal of answering the proposed questions as accurately as possible.

For the construction and resolution of this case study, it was used primary and secondary data sources. Primary data refers to the information collected specifically for this case study which, for this case study, was the researcher's own experience working in a startup, as well as the experience of colleagues working at the same company, as well as friends working in larger companies. This allowed for the writing of the case study, as well as for answering the case questions. Secondary data consists of public information collected by others. Secondary data was gathered from papers, books, literature reviews, and articles, as well as information available online. This allowed for a better understanding of the theoretical base for Human Resources Management practices in companies of different sizes and ages.

2.5. CASE STUDY LECTURE PLAN

The case study requires the professor and students to follow a specific timeline in order for its analysis to be successful.

Firstly, the students should be divided in groups of four to five people, depending on the class dimension. After this division, the groups should brainstorm the basic concepts of the case study. Together, they should collect insights from several sources (online, class materials, among others) in order for them to understand the core topics of the case study. Following this, the students should read and solve the case study, by answering the questions presented in the following section.

It is important for the teacher to guide the students during the process of solving the case. The teacher should provide orientation and insights to allow the students to successfully work on the case, by exploring the necessary instruments and concepts. The professor should work as a moderator for the students' discussions, giving them autonomy to solve the case by themselves. It is very important that professors guide discussions towards the desirable pedagogical goals.

Below, in Table 2.1., is a suggestion of how to teach the case in a 90-minute class.

Table 2.1

Stage and Questions	Objectives	Process	Duration
Stage 1	<ul style="list-style-type: none"> • Get familiarised with the case study; • Understand the basic concepts. 	<ul style="list-style-type: none"> • Individual case reading; • Explore and collect information; • Exchange insights and experiences with the group. 	15 min
Stage 2.1. Question 1	<ul style="list-style-type: none"> • Understand Human Resources Management key practices, and how they can apply to companies in general. 	<ul style="list-style-type: none"> • Group discussion of concepts already learned in previous classes; • Combine those concepts with the information on the case study. 	10 min

Stage 2.2. Class Discussion	<ul style="list-style-type: none"> Wrapping up the information each group gathered; Giving the students a more concrete answer to the questions; Consolidating previous HRM knowledge. 	<ul style="list-style-type: none"> Class brain storming where groups present their conclusions; Final wrap up of all the answers. 	10 min
Stage 3.1. Question 2	<ul style="list-style-type: none"> Understand what are differences between HRM practices in startups and more mature companies, and why they exist. 	<ul style="list-style-type: none"> Group discussion of the case contents; Comparison of the different findings for the two companies. 	10 min
Stage 3.2. Class Discussion	<ul style="list-style-type: none"> Wrapping up the information each group gathered; Giving the students a more concrete answer to the questions; Consolidating previous HRM knowledge. 	<ul style="list-style-type: none"> Class brain storming where groups present their conclusions; Final wrap up of all the answers. 	10 min
Stage 4.1. Question 3	<ul style="list-style-type: none"> Finding solutions and different ways of implementing HRM practices in startups. 	<ul style="list-style-type: none"> Further analyses of the case study, research online and in class materials, in order to find solutions for HRM in startups. 	10 min
Stage 4.2. Class Discussion	<ul style="list-style-type: none"> Wrapping up the information each group gathered; Giving the students a more concrete answer to the questions; Consolidating previous HRM knowledge. 	<ul style="list-style-type: none"> Class brain storming where groups present their conclusions; Final wrap up of all the answers. 	10 min
Stage 5	<ul style="list-style-type: none"> Wrapping up the information gathered in each stage; Consolidating previous HRM knowledge. 	<ul style="list-style-type: none"> The teacher should do a quick wrap up of all the presentations, focusing the answers to each question. 	10 min

2.6. LECTURE ISSUES TO BE POSED TO THE STUDENTS

Question 1

What are the key Human Resources Management practices?

Question 2

How does HRM in startups differ from HRM in more mature and established companies? What challenges do startup companies face, in the implementation of Human Resources Management practices?

Question 3

How can startups apply their Human Resources Management in a more effective way, given the constraints they face?

2.7. CASE RESOLUTION

Question 1

What are the key Human Resources Management practices?

The key Human Resources Model focuses on the following aspects, which are further described in Table 2.2.:

- Recruitment and Selection;
- Training and Development;
- Performance Management;
- Compensation and Benefits;
- Motivation and Retention.

Table 2.2

	Description
Selection and Recruitment	<ul style="list-style-type: none"> • The recruitment and selection process focuses on identifying, attracting and selecting the right person for the right job to meet the organisational HR requirements (Beardwell & Claydon, 2007). • The job selection process comprises the following stages: job analysis; job description; determining competencies; recruitment; choosing the interview format; and conducting the interview. • The recruitment process is prompted by a company's need to fill a certain gap. Meaning there should be a clear job description for the open position, which should be conveyed to the prospect candidates, be it in online platforms, via direct contact, or other.
Training and Development	<ul style="list-style-type: none"> • Training is a systematic process of providing employees with certain competencies, such as knowledge, skills and abilities, so that they will be able to carry out their current jobs effectively and efficiently, while development refers to learning experiences that focus more on the long term, for preparing employees for responsibilities in different jobs (Lepak and Gowan 2010). • Training and development can be a source of a company's competitiveness and sustainable growth. • The benefits of training and development are: <ul style="list-style-type: none"> • Clarifying job duties and responsibilities; • Increasing an individual's job competence; • Producing higher levels of performance; • Enhancing teamwork and team building; • Producing a strong sense of commitment to the organisation; • Achieving higher levels of employee motivation.
Performance Management	<ul style="list-style-type: none"> • Performance management refers to the wide variety of activities, policies, procedures, and interventions designed to help employees improve their performance. These programs include performance appraisal, feedback, goal setting, and training, as well as reward systems. • It is important to assess performance because it is: <ul style="list-style-type: none"> • Important in achieving organisational goals by aligning them with individual performance; • The basis for pay and promotion decisions; • Helps in correcting deficiencies and reinforcing good performance; • Useful in career planning. • The performance management process includes six closely related components (Auginis, H, 2014): <ol style="list-style-type: none"> 1. Prerequisites; 2. Performance planning; 3. Performance execution; 4. Performance assessment; 5. Performance review;

	6. Performance renewal and re-contracting.
Compensation and Benefits	<ul style="list-style-type: none"> • Mondy & Noe (2005) define compensation as the cumulative financial and non-financial rewards payable to employees in return for their services. These are usually based on the value of the job, the level of personal contributions, efforts and performance (Milkovich & Newman, 2005). • The objectives of compensation systems are to: <ul style="list-style-type: none"> • Attract talent; • Retain the best people; • Signal what the organisation values; • Create a sense of equity, fairness, and justice; • Motivate or provide incentives for performance. • Compensation can be seen as a motivator. This happens when the timing between performance and reward is short; when the employee can make the connection between performance and reward; and when it is realistic and reasonable and, therefore, achievable.
Motivation and Retention	<ul style="list-style-type: none"> • Motivation refers to reasons or factors that encourage, or make people behave in a particular way (Bratton & Gold, 2012). • Motivation is important to develop employees' potential, as well as to increase their productivity. It is influenced by internal factors, such as personal needs and expectations, as well as by external factors, such as organisational reward and compensation. • Turnover is the rate at which employees leave a workforce and are replaced. Turnover can be expensive, including tangible and intangible costs. These include advertising costs, training costs, interviewing time, lower productivity, lower corporate moral, loss in organisational knowledge and skills, negative impact on organisational commitment, among others. • When an employee leaves a company, it is very important to have an exit interview with that person. This is an opportunity to appease more unhappy employees, as well as to send a message of empathy to existing ones. Exit interviews can also be used to provide valuable information on how to improve recruitment and induction of new employees, as well as help staff retention. Sometimes it can even happen that the company is able to retain a valuable employee who would otherwise have left. • Retention is heavily influenced by engagement.

Question 2

How does HRM in startups differ from HRM in more mature and established companies?

What challenges do startup companies face, in the implementation of Human Resources Management practices?

A startup is a young company, founded on a basis of entrepreneurship and innovation. Because of its entrepreneurial nature, a typical startup tends to be a shoestring operation, with initial funding coming from the founders themselves, and even their family and friends (Fontinelle, 2020). Therefore, one of the first challenges of a startup is to prove the validity of its concept to potential lenders and investors, in order to increase its financial resources.

The fact that many specialised HR activities, such as recruiting, are not frequent in small ventures (Cook, 1999) means the costs of hiring highly trained HR professionals are likely to be prohibitive (Arthur, 1995).

Because startups lack resources of their own, the CEOs of these companies tend to take on several job roles, including that of HR manager, as Longenecker, Moore, & Petty (1994) pointed out. This was clear in *Onda Azul's* case study, where the CEO, Rui, was also a part of the sales team, and conducted most HRM activities. As a consequence, "multi-tasking CEOs" cannot focus equally on all the functions they perform. Furthermore, and given the fact that startups have a general focus on operations, Human Resources Management is not usually a priority of startups and, therefore, the implementation of HRM processes in these companies tends to not be as organised as in more mature ones.

In fact, both startups and more mature companies need to manage their human resources. The main difference is with how organised the processes are. While, in larger companies, there are usually fully implemented systematics for all Human Resources topics, in startups, most steps happen ad hoc. The reason for this difference is the fact that small and larger companies have contrasting focuses.

Larger companies tend to have a larger presence in their market and be more financially stable. Because they have been going for a long time (in comparison to startups), they have

established and concrete ways of conducting their daily operations, and are able to spend more time on other activities that do not contribute directly to the business. On the other hand, startups are younger companies, whose focus is more on “making things happen”, rather than establishing processes. These companies are usually still figuring out how to enter their market, and how to improve their product/service. Therefore, everything not related with their basic operations is set aside, outsourced, or done by the CEO of the company. This is true especially for Human Resources issues, as these cannot be avoided (all companies need to have people working for them).

Differences in HRM practices between startups and mature companies can be found in Table 2.3.

Table 2.3

	Startup	Mature Company
Organisation	<ul style="list-style-type: none"> Do not have specialised HR departments (Aldrich & Von Glinow, 1991). HR activities are often the responsibility of general managers (Longenecker, Moore, & Petty, 1994). 	<ul style="list-style-type: none"> Have established HR departments and plans of implementation for the multiple focus points of HRM.
Case Study Examples	<ul style="list-style-type: none"> “The person replying to her email was Rui, who introduced himself as one of the co-founders of <i>Onda Azul</i>.” 	
Recruitment and Selection	<ul style="list-style-type: none"> Sporadic and ad hoc. Usually conducted by company managers. Candidates come from personal and employee referrals, job search platforms, or are direct applicants. Shorter processes. Focus on selecting someone who fits with the organisational culture and is able to perform multiple job tasks (Henneman, Tansky & Camp, 2000). 	<ul style="list-style-type: none"> Structured and planned for the company's needs. Conducted by company's HR department or outsourced to a recruiting firm. Candidates go through several steps during the process. More bureaucratic. Focus on attracting and selecting the right person for the right job, who also fits the company's culture (Beardwell & Claydon, 2007).
Case Study Examples	<ul style="list-style-type: none"> “(…) although these companies were not actively looking for new people, Ana thought it could not hurt to try contacting them anyway.” 	

	<ul style="list-style-type: none"> • Some of them had even been through multiple assessment moments: a first interview with a recruiting company, a group dynamic with other candidates, and a final interview with the person who would lead their future team.” • “In comparison with the interviews of other friends working in larger companies, her interview had seemed much easier and lighter than Ana could have expected!” 	
Training and Development	<ul style="list-style-type: none"> • Informal/unstructured (on the job) instructions. • Cost and time spent on training is a big determinant. 	<ul style="list-style-type: none"> • Formal training programs. • Systematic practices. • Training integrated in the induction given to newcomers.
Case Study Examples	<ul style="list-style-type: none"> • “(...) some had had induction weeks, others some seminars, and even some online training.” • “Everything was new to Ana, and she felt a bit lost at first, not knowing exactly what was the final purpose of what she was doing.” • “She did not have any formal training (...)” • “It seemed he was not sure whether they had enough funding for everything Ana was suggesting.” 	
Performance Management	<ul style="list-style-type: none"> • Ad hoc or very little organised. • Still testing performance management strategies. 	<ul style="list-style-type: none"> • Established performance management systems. • Regular feedback and coaching sessions.
Case Study Examples	<ul style="list-style-type: none"> • “So now they had a strategy for measuring the numbers achieved in the sales process, although it was not the most efficient one.” • ““I can’t see how much of my objectives have been achieved if I haven’t even defined what those objectives are!” She shared with a friend(...). • “That is so strange!” Her friend replied right away. “At the company where I work, we have weekly meetings to define our team’s plan for the week. But we also have annual or semi-annual meetings with our direct management to define personal goals, discuss issues that might have risen, just whatever you need to talk about.” • “That is so different from what we do! We discuss those things more ad hoc, there isn’t a defined period of time for discussing personal goals, for example.”” 	
Compensation and Benefits	<ul style="list-style-type: none"> • Typically, not monetary, such as team activities and equity options (Bendickson, Muldoon, Liguori and Midgett, 2017). 	<ul style="list-style-type: none"> • Monetary compensation, such as profit sharing, employee ownership, a comparatively high level of pay, performance-contingent pay, and/or team-based pay (Evans & Davis, 2005).
Case Study Examples	<ul style="list-style-type: none"> • “After talking to some friends working in larger companies, Ana understood that they were not used to asking for promotions. (...) they already had a monetary compensation guaranteed from the beginning, as well as some other benefits.” 	

	<ul style="list-style-type: none"> • “(...) at <i>Onda Azul</i>, they had other benefits, such as weekly team bonding activities.” • “(...) there are other perks, such as the flexible work hours.”
Motivation and Retention	<ul style="list-style-type: none"> • Have the most to lose when an employee leaves: cost of a new recruitment, loss of knowledge and skills to another company, loss of information and valuable data. • Companies invest in employee care, resulting in a high employee retention rate. • Protocols in place for when an employee leaves, such as exit interviews, in order to reduce the impact of losing an employee.
Case Study Examples	<ul style="list-style-type: none"> • “With Rui on board, things started happening, even if slowly, and Ana’s motivation started to rise as she got more involved in building a Marketing strategy for <i>Onda Azul</i>.”

Question 3

How can startups apply their Human Resources Management in a more effective way, given the constraints they face?

Startups have some limitations in terms of money and independence regarding decision-making. These companies are dependent on their investors to continue funding them and, consequently, they are also involved in a lot of the decision-making processes. With the goal of improving the HRM of startups, and still accommodate those circumstances, these companies could opt for one of several options, of which the following are examples:

- Outsourcing all Human Resources Management processes to a professional HR company;
- Hiring an HR company to structure a Human Resources Management plan and educate the managers of the startup, so that they can implement it in the company themselves;
- Arranging for the managers of the startup to get formal training on Human Resources Management, so they can build a plan for the company, and implement it properly on their teams;
- Hiring someone with Human Resources training to be the HR manager of the startup.

In *Onda Azul’s* case, if Rui and other managers were to get some training, and improved his HR skills, the experience of Ana and her colleagues working at the company would be

improved and, as a consequence the performance of the company would be better too. Or if, for instance, the company had hired an HR manager to work at *Onda Azul*, it would take away the weight of HRM from Rui’s shoulders, giving him the opportunity to focus on his other roles. All in all, these solutions would contribute not only to the well-being and performance of the employees, but also the company’s overall results, which is a great focus for startups.

More specific solutions to each HRM issue are presented in Table 2.4.

Table 2.4

	Startup	Solution
Organisation	<ul style="list-style-type: none"> Do not have specialised HR departments (Aldrich & Von Glinow, 1991). HR activities are often the responsibility of general managers (Longenecker, Moore, & Petty, 1994). 	<ul style="list-style-type: none"> Outsourcing HRM activities. Train company managers in HR practices. Hire an HR Manager.
Recruitment and Selection	<ul style="list-style-type: none"> Sporadic and ad hoc (Klaas, McClendon, & Gainey, 2000). Usually conducted by company managers. Candidates come from personal and employee referrals, and job search platforms, or are direct applicants. Shorter processes. Focus on selecting someone who fits with the organisational culture and is able to perform multiple job tasks (Henneman, Tansky & Camp, 2000). 	<ul style="list-style-type: none"> Planning ahead. Use sources that are convenient, inexpensive, and directly controllable by the company (c.f. Heneman & Berkley, 1999). Gain legitimacy in their industries by adopting recruiting practices that reflect industry norm (Cardon & Stevens, 2004). Outsourcing recruitment to professional employer organisations, and contingent labour (Cardon & Stevens, 2004). “(…) first interview with a recruiting company”
Training and Development	<ul style="list-style-type: none"> Informal (on the job) instructions. Unstructured training. Cost and time spent on training is a big determinant. 	<ul style="list-style-type: none"> Invest in socialisation (c.f. Rollag & Cardon, 2003) Take advantage of free University courses, and startup-focused training sessions, that can be cheaper.

		<ul style="list-style-type: none"> • Include training elements in the yearly budget.
Performance Management	<ul style="list-style-type: none"> • Ad hoc or very little organised. • Still testing performance management strategies. 	<ul style="list-style-type: none"> • Define clear and consistent strategic objectives for the company (Feás, Bastida & Calvo, 2012). • Implement a plan that is valid, reliable, cost-effective and fair (Shields, Brown, Kaine, Dolle-Samuel, North-Samardzic, McLean, Johns, O’Leary, Plimmer & Robinson, 2015). • Create and maintain individualised developmental plans for top performers (Aguinis, Gottfredson & Joo, 2012). • “(...) six months after I started my internship, my boss thought it would be a good idea to do one [performance review].”
Compensation and Benefits	<ul style="list-style-type: none"> • Typically, not monetary, such as team activities and equity options (Bendickson, Muldoon, Liguori and Midgett, 2017). 	<ul style="list-style-type: none"> • Have more regular salary revisions, and combine these with performance incentives, when financially possible. • Invest in non-monetary incentives, such as team activities. • “(...) at <i>Onda Azul</i>, they had other benefits, such as weekly team bonding activities.” • “(...) there are other perks, such as the flexible work hours.”
Motivation and Retention	<ul style="list-style-type: none"> • Have the most to lose when an employee leaves: cost of a new recruitment, loss of knowledge and skills to another company, loss of information and valuable data. 	<ul style="list-style-type: none"> • Founders can shape and encourage the kind of company culture that will enable engagement (Deery & Shaw, 1999). • Provide employees with opportunities for development, such as internal career opportunities (Sandhya & Kumar, 2011). • “This would be a good complement to her daily tasks. (...) As she presented her ideas

		<p>to Rui, Ana could see his interest growing.”</p> <ul style="list-style-type: none"> • Investing in good leadership for the company (c.f. Sandhya & Kumar (2011)).
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2.8. MANAGEMENT CONCLUSIONS

From the analysis of *Onda Azul's* case study, it becomes clear that this startup in question has little experience in managing its employees. If, for instance, they had opted to have an HR manager within the company, or to outsource this service to an HR company, the recruitment processes would be properly conducted and training and career development would be implemented to support employees. Performance management indicators would contribute towards better effectiveness and efficiency and the exchange of feedback and coaching moments would be carried out in an organised manner. Lastly, motivation among staff would be higher, which leads to a higher retention rate, and less conflicts when employees leave the company.

It is clear that startups have the need for HRM, and it is not only larger companies that should invest in this area. However, startups seem to not spend enough time and resources on the topic when, perhaps, they should be looking to their employees as a way to increase the companies' performance, rather than only focusing on keep operations going. This means that, when looking for a way to gain a competitive advantage over other startups, and even over larger, established companies, Human Resources Management is frequently disregarded in favour of purely operational activities.

In fact, startup companies should take HRM as an opportunity to gain advantage over competitors, by adding to their naturally young and dynamic environment, creating an overall pleasant place to work at and, consequently, maintaining a productive and motivated workforce. This fosters higher productivity and, especially, innovation, which is a necessary constant in startups' entrepreneurial environment. In doing so, any new business would be much more likely to be successful in the long run.

In conclusion, *Onda Azul's* case study aims to help students understand the concept of Human Resources Management, and the practical implications of a company's size and age in the application of different Human Resources Management techniques, by analysing *Onda Azul's* practical case. *Onda Azul*, as a small and young startup company, not yet independent financially from its investors, does not yet have a strategic and firm-specific management approach to HRM. The goal is that, after reading and analysing this case study, Human Resources and Management students are able to develop effective and efficient solutions to real life problems from a management point of view.

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