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## **The Role of Human Resource Management in the Growth of Startups: A Multiple Case Study from the Perspective of Entrepreneurs and Employees**

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### **Abstract**

The purpose of the present study is to investigate the role of human resource management (HRM) in the growth of startups. Accordingly, the missions and practices of HRM in startups are identified from the perspective of entrepreneurs and employees.

A multiple case study approach is used by focusing on two startups in Iran. Moreover, the data are collected by interviewing one entrepreneur and 4 employees in each company. Besides, qualitative data are analysed using thematic analysis. Results demonstrated the various types of HRM missions and practices in startups and reflect different perspectives of entrepreneurs and employees of human resources management in these companies. Finally, the results illustrated that HRM can play an important role in the growth of these companies. Although research in the field of startups has increased in recent years, the role of HRM in the growth of these companies has rarely been addressed. The present research helps to expand literature related to the role of HRM in the growth of startups by considering the different perspectives of startups' entrepreneurs and employees.

**Keywords.** Human resource management missions; Human resource management practices; Growth of startups.

## **Introduction**

Every year thousands of new startups emerge with hope to succeed and to be among the businesses which experience great success within a limited time (Akula, 2015; Dana et al., 2009a,b; Jafari-Sadeghi et al 2020a,b). This seems to be a very good event when pure ideas have presented that lead to value creation in the economy. However, the problem begins when we look at the statistics related to the success and failure of startups and find many startups that have failed and are forced after a while to leave the arena of competition. Even though emerging as small businesses, startups create jobs and lead to innovation and competition, and in addition to their symbolic importance to economic growth, bring benefits to their owners, employees, and investors because of their rapid growth. The growth model of startups is different, and each startup has its growth model that is vulnerable to changes over time (Nascimento, 2017).

From their inception to the stage of their growth, startups are inevitably faced with various challenges and barriers and as they grow older, their simple structure changes so that the need for specialising the operations increases the importance of the role of HRM in these circumstances (Blau, 1970). Therefore, the role of HRM for startups becomes more important when they become more complex and have to deliver good results to stakeholders. Here, the importance of a deeper focus on human resources as a prominent factor in gaining competitive advantage and differentiating companies from one another becomes increasingly apparent (Jack et al., 2006; Dana et al., 2016; Devine et al, 2019; Garousi Mokhtarzadeh et al, 2020), and the companies that are aware of the importance of paying attention to human resources are more productive than other companies (Steven et al., 1999; Hajiagha et al, 2013). When it comes to discussing the human resources for startups, it means that appropriate HRM missions and practices should be designed to address the short-term and long-term needs of the company and try to meet them.

HRM in startups can have various missions (Dana and Wright 2009; Nascimento, 2017; Hajiagha et al, 2018) and the life of the startups depend on human resources. Besides, HRM practices should be more scientific and tailored to the needs of the company to increase the impact of individuals on startups (Rutherford et al., 2003; Mokhtarzadeh et al, 2018; Dinesh and Sushil, 2019). Today, the biggest challenge facing startups is attracting and retaining top talents. When startups compete with large organisations to attract and retain the top talents, HRM practices of these companies can attract top talents and retain them in the best possible way to continue their activities. Therefore, challenges in startups include failures and bottlenecks in HRM practices such as weaknesses in various aspects of recruitment, incentive systems, performance appraisals, etc., and in such a competitive environment, HRM can add value to organisations.

Understanding the growth and success of startups can increase the motivation of the new generation to create a startup (Jafari-Sadeghi, 2020). However, enough attention is not paid to HRM in startups for various reasons. This problem exists globally and can be seen tangibly within our country. Understanding entrepreneurs' and employees' perspectives on the role of HRM in the growth of startups can help entrepreneurs to take measures to align employees' perspectives with the companies' HRM mission and practices. On the other hand, entrepreneurs' awareness of the shortcomings in the HRM practices of the company can be a way to strengthen the HRM practices in the company.

Since managing the most valuable assets of a company ensures that the startup does everything required to meet its goals, missions, and prospects, the purpose of the present study is to examine the role of HRM in the growth of startups. In this vein, it has sought to respond to the following questions.

[1]. Are HRM missions different among startups?

[2]. Are HRM practices different among startups?

To answer the questions, data are collected in the present study from two startups in Iran using semi-structured interviews with one entrepreneur and 4 employees in each startup, and the qualitative data are analysed using the thematic analysis. Eventually, participants' perspectives on the role of HRM in the growth of startups are identified.

The remainder of this paper is organised as follows. Section 2 includes a review of literature related to HRM and startups. Section 3 describes the research methodology. Section 4 presents the results obtained from the analysis of the interviews. The final section offers the study conclusions, its limitations, and the recommendations for future research.

### **Human resources management (HRM) and Startups**

The concept of human resource management (HRM) was first developed in academic works in the United States and it has subsequently been increasingly applied (Brewster, 1994; Mahdiraji et al, 2019a). HRM is a strategic, integrated and coherent approach to recruitment, development, and welfare of the people working in organisations and includes a set of policies designed based on management decisions to achieve the desired goals of the organisation (Abduli, 2013; Mahdiraji et al, 2019b).

HRM practices of the company must manage human resources to achieve optimal goals and sustainable society (Mariappanadar, 2003). Assuming that the primary goal of any business is to increase profits or produce and deliver desirable services, HRM practices can be a strategic and efficient way to recruit suitable employees, motivate and engage them, increase flexibility, and improve profitability (Cele, 2005; Mahmoudi et al, 2019). Therefore, the purpose of formulating HRM practices can be considered as managing people to achieve organisational goals and improve performance (Tyson, 1997; Dana, 2017; Burton et al, 2019). HRM practices include job design, employees' recruitment and selection, performance

appraisal, training and development, career planning, compensation, labor relationships (Stewart & Brown, 2009), and involvement (Harel & Tzafrir, 1999; Taghavifard et al, 2018; Orakwue & Iguisi, 2020).

So far, various studies are conducted on the impact of HRM on the performance and competitive advantage of companies, revealing the need to pay attention to HRM practices in companies. Based on Wright et al. (1994), unlike practice-oriented discussions that assume the role of human resources to be a source of sustained competitive advantage, the theoretical concepts were used in this research to discuss how human resources meet the criteria for sustained competitive advantage in that they are valuable, rare, inimitable and non-substitutable. They ultimately presented human resources as an important potential source of sustained competitive advantage. Hassan (2016) conducted a study on the impact of HRM practices on employee's performance. In this study, a questionnaire based on 34 items was distributed among 68 employees of the textile industry for data collection.

The results indicated that HRM practices compensation, career planning, performance appraisal, training, and employee involvement had a positive impact on employee's performance. Paul et al. (2012) focused on the role of human resources in creating a competitive advantage. As the most important result of their research, they considered the creation of human capital and social capital as a necessary factor to achieve and sustain superior performance in the market. The effect of HRM practices on business performance among private companies in Malaysia is studied by Abdullah et al. (2009). The results obtained in their study based on responses from 153 managers showed that training and development, teamwork, compensation/incentives, HR planning, performance appraisal, and employee security had a positive and significant impact on business performance. The present study examines the best current HRM practices that can affect motivation and job satisfaction.

Hornsby et al. (2005) considered job design, setting tasks and objectives, training and development, employee relationships, working conditions, selection and recruitment, incentive strategies, performance appraisal as the most common HRM practices that affect employee motivation and satisfaction. They also form the theoretical framework of the present study. The term "startup" is widely used since the 1990s to describe young enterprises, technology companies, and small companies. Startups are usually recognised as small companies (with a relatively small number of employees) with a high growth rate that has recently entered the technology-related immature market (Robehmed, 2013), and because of the ease of establishment, they have attracted the attention of the entrepreneurs to test their ability by building their businesses (Gering & Conner, 2002; Hajiagha et al, 2015; Jafari-Sadeghi et al 2019).

In recent years, it is argued that the definition of a startup should not be based on the number of employees because there is no standard size in this regard. Some believe that the definition of a startup should focus more on revenue rather than the number of employees; although, this criterion may also depend on the type of industry. Researchers argue that it is easier to determine which companies are not startups than to determine its opposite. As a case in point, a reliable, repeatable, measurable, and proven business model that no longer requires venture capital should not be recognised as a startup (Blank, 2014). Ries (2011) defines a startup as a human entity created to provide new goods or services under extreme uncertainty.

Startups include five stages of growth. In the first stage (existence), the main problems of the business are obtaining clients and delivering the product/service. In the second stage (survival), the main problem is shifting the company from mere existence to a workable relationship between revenues and expenses. In the third stage (success), owners face the decision of exploiting the company's accomplishments and expand or keep the company stable and disengage. In the fourth stage (take-off), the company is growing fast and the



biggest concern is financing. Ultimately, in the fifth stage (resource maturity), the company is consolidating, trying to find ways to retain its competitive advantage, while at the same time it is focused on professionalising the company and avoiding ossification of innovation thinking (Nascimento, 2017; Sukumar et al, 2020). Each startup faces different challenges at different stages of its life cycle (Colombo & Piva, 2008) including financial challenges, human resources, support mechanisms, environmental elements (Salmanzadeh & Kawamorita Kesim, 2015). HRM comes up as a solution to cope with emerging workforce challenges and the complexity of the business once the startup progresses along the five stages of development (Nascimento, 2017).

### **The Role of HRM in Startups**

The HRM affects all aspects of an organisation due to HRM supports employees that are the most important asset of businesses. Therefore, entrepreneurs need to be aware of HRM decisions from the outset (Khan, 2017; Sadeghi et al 2019a,b). Nascimento (2017) conducted a study on the role of HRM in startups by interviews with employees and entrepreneurs of the five startups. The results of his study demonstrated that HRM can have several roles in growing startups – from strategic to non-strategic. In a study on the development of HRM practices in small and medium-sized enterprises, Rojanapuwadol (2012) conducted a case study from the entrepreneurs and CEOs' point of view, related to the field of strategic HRM and labor relations. The results of the study indicated that during the formative years, small companies rely on various types of networks in recruitment (Mokhtarzadeh et al, 2020; Sadeghi and Biancone 2018). Although the companies in this study experienced instability in profits, they had provided formal training since the formative years. With the problem of financial resource shortage, they emphasised psychological rewards rather than financial rewards. Besides, Baron and Hannan (2002) examined the extent to which HRM matters in the new economy. Some commentators have recently stated that the purpose of building well-

managed companies has gone out of favor. "Building to flip" has replaced "building to last" so that the entrepreneurs and their financial backers are looking for the technology treasure trove. The renderings of the new economy represent organisation-building as (at best) irrelevant or (at worst) a source of organisational drag in a world that operates at the internet speed, a futile diversion of the time and energy of leaders from more important and immediate concerns that should be addressed. Kunampurat and Nithila (2018) argued that the retention of qualified employees in a labor-intensive, demanding, and fast-paced work environment is a big struggle for all industries, especially startup companies. As startups try to provide a new product/service in the market, there are many challenges for their employers such as problems in dealing with competition, uncertainty about the future of the product, irregular earnings at early stages, changes in tax policies and regulatory framework, high salaries paid by competitors and so on, all of which lead to the challenges in the retention of employees in startups. Hence, there should be appropriate motivational strategies to retain employees. As the results of their study demonstrated, a common problem that almost all startups face is their workforce juggling with various roles and responsibilities that result from attrition. Furthermore, Vijaya Kumara and Prof (2019) argued that the presence of the best talent determines the success or failure of an organisation to stay competitive in today's fast-changing world. Who is hired is not just important, but how the employee is managed and retained is also considered important, as Kennedy and Diam (2010) argued. Hiring and retaining a skilled workforce is considered as a great challenge for the startup companies to be successful, and the reason for this is the uncertain organisational climate (Lee Hom and Liz, 2017).

## **Methodology**

In this study, a qualitative research method with a multiple case study approach is used to identify the role of HRM in the growth of startups. Since we aimed to gain a deeper

understanding of how HRM plays a role in the growth of startups, the qualitative research method is employed. According to Leedy and Ormrod (2005), qualitative research is often used to answer questions regarding the complex nature of phenomena, aiming to describe and understand phenomena from the participants' point of view. Qualitative research is concerned with the meaning of the phenomena rather than measuring and evaluating them.

Yin (2003) states that the case study is defined as an empirical inquiry that investigates a contemporary phenomenon within its real-world context, especially when the boundaries between the phenomenon and the context are not apparent. The researcher in a case study is not only satisfied with simple interpretations of the relation between cause and effect but also aims to know the whole mechanism of the phenomenon. A case study can be applied as a single case and a multiple case study. The reason for using a multiple case study in the present study was to provide the possibility of comparison between startups, analyse simultaneously more than one unit, and to increase confidence in the results compared to the single case study (Pearce et al., 2014).

The number of samples required for research depends on the purpose of the study (Maykut & Morehouse, 1994). The type of study, the study parameters, and the resources available to the researcher can determine the sample size (Baker & Edwards, 2012; Behehsti et al, 2015). This study aims to deeply analyse the information to investigate the existing extensive reality. Therefore, two startups in the field of social services in Iran are selected. The participants in the study are one of the entrepreneurs and 4 employees of each startup company, who were selected through selective sampling. Yin (2011) defines purposive sampling as selecting participants based on the relevance and richness of information they can provide.

The researchers used non-probability purposive sampling by selecting subjects from the statistical population that met certain criteria. While this limits the results that can be reached

by the sample population, it ensures that the subjects have experience in the phenomenon under study (Leedy & Ormrod, 2005). The two startups selected for this research are settled in Iran. The startup PGUM has launched a Fintech-based health application that encourages users to walk continuously by health incentives. Using this application, the user receives points for walking that can be converted into the currency of his/her country so that he/she can use the points earned to shop in physical and online contracting stores. The services of this startup are the creation of value-added service (VAS) for businesses that aim to work in the field of social responsibility and the transformation of user steps into value among businesses affiliated with PGUM. The company consists of an eight-person team.

The startup LAKLAK has launched a special application for women that has created a platform for connecting and sharing experiences among users. Women have a great deal of interest in talking about their problems or sharing their experiences of failure and success with other mothers and find peace in this way. In addition to benefiting from the experiences of other mothers, users may also have medical problems that require urgent medical care so as not to endanger the health of the women or their children. While these users can get help from other mothers, they can also use the help of medical experts at LAKLAK. The company consists of a six-person team.

### **Data Collection and Analysis**

Answering key research questions requires extensive information and an in-depth understanding of HRM in startups. Accordingly, the interview method is used in the present study. According to Kvale (1997), interviewing is a valid method for collecting data because the accuracy of the data collected by an interview is related to the accuracy of qualitative data. Since we were interested in discussing further the results discovered during the interview (Gilham, 2005), it was decided to conduct semi-structured, face-to-face interviews

with the same number of questions. The interviews lasted one hour. Semi-structured interviews enable the researcher to focus on the topic of research and allow flexibility in the questions asked (Rowley, 2012). Face-to-face interviews are also useful for obtaining in-depth information and revealing meanings (Creswell, 2014). The purpose of data analysis was to understand the concepts and themes generated by the interviews considering the research questions. Subsequently, the data are collected and transcribed. Note that, Braun and Clarke's (2006) six-phase thematic analysis method is used.

In the interview method, the trustworthiness of the research is examined using the following four components suggested by Lincoln and Guba (1985).

**(A) *Truth-value (credibility)*.** The establishment of credibility refers to the examination of the accuracy of the research findings by the interviewees to determine whether the research correctly covers their views on the research topic or not (Willis, 2007). By requesting feedback on the study results from participants, the possibility of misinterpreting the responses to the interview questions is rejected (Maxwell, 2005).

**(B) *Applicability (transferability)*.** Transferability denotes the degree to which the findings of the research can be generalised to other populations (Thomas & Magilvy, 2011). Researchers often conduct qualitative research in a natural environment with uncontrolled variables. This prevents generalisation. As long as the researcher provides "a thick description of the demographics and geographical boundaries of the study", transferability is satisfactory (Thomas & Magilvy, 2011). To be transferable, descriptions of demographics and geographical boundaries are provided in the present study.

**(C) *Consistency (dependability)*.** The dependability is achieved if another researcher can readily follow the decision trail used by the initial researcher (Thomas & Magilvy, 2011). In

the current research, in-depth descriptions of data collection and analysis are provided to achieve dependability.

*(D) Neutrality (confirmability).* If the research results are to be confirmed, all details are carefully recorded at all stages. For this purpose, the researcher re-reads, re-categorises, and re-analyses the text to ensure that nothing is lost (Krippendorff, 2004).

After the exact evaluation of data by the researchers, 25 and 19 concepts are identified and coded, respectively, during the phase of coding data obtained from the interviews with the entrepreneur and employees of the startup PGUM. Besides, 34 and 25 concepts were identified and coded, respectively, from the interviews with the entrepreneur and employees of the startup LAKLAK. The researchers then searched, reviewed, and named the themes. The following tables present the themes extracted from the interviews.

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## **Results and Implications**

The results indicate that in the studied startups, due to the small size of the company with a small number of members, HRM had no strategic role in the companies. However, HRM can have strategic or non-strategic missions. This means that there are certain frameworks to achieve some missions; however, there may be no specific frameworks in some cases.

The types of HRM missions are different in the two startups, and even within a company, the perspectives of the entrepreneurs and employees on HRM missions are different in some respects. However, both companies referred directly or indirectly to the "team" and "the importance of teamwork" when talking about the HRM missions. Although both companies

emphasised the need for HRM to succeed, they pointed out that due to the financial reasons and the small number of members, HRM tasks should be under the responsibility of the entrepreneur. Yet, there were different feelings about HRM missions and the factors involved in the success of the company in the two startups. Thus, there is an ambiguous position regarding the HRM missions, meaning that the missions have not been fully clear for the entrepreneurs and employees.

In the present research, it is assumed that the reasons for the differences in HRM missions in the startups are the difference in the number of employees, business model, growth stage, funding source, or entrepreneur's work experience. In fact, in a company with few people, there are more dynamics and fewer routine procedures and specific frameworks. Therefore, due to the small number of the members of the two companies, the diversity and the number of their HRM missions are more than that of larger companies because fewer employees require usually fewer procedures. Besides, the fact that startups with small members and financial constraints cannot have a separate HRM unit and it is the responsibility of the entrepreneur.

In terms of critical success factors, both companies emphasised the importance of HRM and the characteristics of an entrepreneur such as follow-up and persistence as success factors. However, some other characteristics such as labor relations, solidarity and having a strong team also pointed out in the startup LAKLAK. In general, HRM does not include a single mission throughout the startup. HRM may have various missions, strategic or non-strategic. However, the number of the employees, the funding source, and the entrepreneur's work experience are the best reasons for the differences observed between the two startups. The results of this study are in line with the results of the study by Nascimento (2017). He noticed that startups have different HRM missions due to their dynamic and constantly changing structures.

It is shown that HRM practices are similar in the two companies, except for the job opportunities that were mentioned by the entrepreneur of the startup PGUM; nonetheless, not mentioned in the startup LAKLAK. Therefore, there are such practices as the organisational structure, recruitment, and selection, employee relationships, tasks and objectives, compensation and payments, working conditions, training and development, performance appraisal in both companies. Note that, the methods and tools for implementing HRM practices to increase employee satisfaction and motivation are different in some cases.

Both companies had a similar position in the organisational structure. Departments are organised less formally, working almost in "a very horizontal way". However, there is usually an entrepreneur as a group manager who ultimately makes the final decisions after taking into account others' opinions. He/she is in charge of the executive affairs such as the selection and recruitment and the HRM. This continues until the startup becomes a stable company, and as time goes on and more employees become involved in management decisions, the startups will be less dependent on their entrepreneurs.

In both companies, the task of selection and recruitment is the responsibility of the entrepreneur, and the most important criterion is the recruitment of talented individuals who have good morals and fit the team and company. These companies have not sought out experts because they believe that people can be turned into experts through training, but people's attitudes cannot be changed. Hence, they try mainly to find people whose attitudes are in line with the objectives of the company and team.

In these two startups, the intimate and friendly relationships between the employees and the entrepreneurs have had the greatest importance, and since the initial earnings are low in such companies, one of the ways to motivate and retain employees in the company is to maintain friendly labor relations and mutual understanding between the employees and managers. It is



very important to determine tasks and objectives in startups because the procedures are not repetitive in these companies and they are constantly changing. Therefore, the tasks and objectives should be made periodically or weekly clear to employees to allow them to feel what they are doing is useful and they do something new every day.

The compensation and payments are different in the two startups. However, it is clear that due to limited financial sources and funding by the entrepreneur, the companies increasingly focused on non-cash rewards and incentives through creating a sense of self-worth in employees. Nevertheless, the start-up PGUM uses incentive shares to retain and satisfy its employees while the startup LAKLAK uses different types of compensation, including agreed wages, dividing cash rewards among employees, and a variety of non-cash rewards.

In both startups, working conditions are flexible and clear; however, the manner of flexibility is different. For instance, in the startup LAKLAK, the employees can do their tasks by working from home, and in the startup PGUM, the work hours are reduced by half if necessary so that the employees can deal with other job opportunities. The performance appraisal is performed by the entrepreneur in both startups and it takes place in the form of providing direct and timely feedback. Both companies believe that the employees can be evaluated simply due to the small size of the company and there have not been sufficient resources and time to devote to a more formal appraisal system. Regardless of the performance appraisal system, employee appraisal is considered as a way to grow and understand better.

In startups, one person usually plays several roles. Therefore, different job opportunities are generally provided to employees. However, the startup PGUM has particularly pointed out that it provides employees with job opportunities by delegating the authority to employees to make them more social, while the startup LAKLAK has not pointed out to the creation of a

specific job opportunity for employees in a specific way. During the interviews, the difference between working in a startup and a large company was a controversial issue, and it seems that these differences are intertwined and shaped HRM practices. In large companies, procedures are repetitive and routine, tasks are centralised and related to specific jobs, and standardisation is used to avoid losing control and to be responsible and accountable. In the case of companies with large size, standardisation is considered as an essential and natural phenomenon.

Accordingly, startups are distinguished from large corporations in terms of work culture (Rezaei et al 2020). Friendly relationships, growth, and empathy in startups cause the works are implemented mostly in the form of teamwork. The emphasis on creativity and innovation makes employees act through their initiatives. However, tasks and objectives are communicated to employees and doing unforeseen tasks makes them feel that their work is not senseless. Startups recognise the fact that their employees start work with less capital and less income than large companies.

Theoretically speaking, the results of the present study are in agreement with those obtained from the study by Nascimento (2017), Hassan (2016), Abdullah et al. (2009). The results of Nascimento's research showed that recruitment, performance appraisal, working conditions, job design, and training were implemented in startups. The results of the research by Hassan demonstrated that compensation, career planning, performance appraisal, training, and employee involvement had a positive impact on employee's performance. The results obtained from the study by Abdullah showed that training and development, teamwork, compensation/incentives, HR planning, performance appraisal, and employee security had a positive and significant influence on business performance. It can be concluded that the strategic HRM is not required for the success and growth of the startups (which were companies with a small number of members in our study), and employees can be motivated,

satisfied, and productive using HRM practices that fit their needs. Besides, HRM may not have a strategic role; however, it may have a strategic mission.

Practically speaking, HRM practices in startups focus on recruitment and selection, performance appraisal, working conditions, employee relationships and career planning, compensation and payments, organisational structure, job opportunities, training, and development. Nonetheless, in this study, both startups have included the same HRM practices, and the tools for implementing them are similar in both companies, except for some cases, such as compensation and payments. However, the results have shown that the level of HRM practices implemented in the companies is not understood equally by entrepreneurs and employees. Entrepreneurs and employees generally had different perspectives, from differences in the types of HRM missions to differences in the ranking of HRM practices implemented in the company.

## **Conclusion**

The purpose of the present study was to investigate the role of human resource management (HRM) in the growth of startups. Accordingly, the missions and practices of HRM in startups were identified from the perspective of entrepreneurs and employees. A multiple case study approach was used by focusing on two startups in Iran. Moreover, the data were collected by interviewing one entrepreneur and 4 employees in each company. Besides, qualitative data were analysed using thematic analysis. Results demonstrated the various types of HRM missions and practices in startups and reflect different perspectives of entrepreneurs and employees of human resources management in these companies. Some conclusions and limitations relating to this research are described as follows.

Managers of startups are recommended to communicate the important missions and objectives of the company to their employees, to set specific frameworks when a certain

framework is needed to achieve the objectives and missions and to delegate authority to employees in cases where the employees' creativity, innovation, and freedom of action are needed to achieve the objectives. Moreover, managers of startups are recommended to identify the HRM practices required for the growth and development of their business considering the number of their employees, the type of their activities, and the type of funding. Furthermore, it is proposed to consult with their employees on how and by which methods the level of these practices can be raised because the reason for the differences in the views of employees and entrepreneurs on HRM practices is the difference between the tools and methods that raise or reduce the level of practices. On the other hand, managers are recommended to identify their employees' views of what motivates and satisfies them to raise the level of practices, and not to act only based on their viewpoints because practices that are considered by the entrepreneurs to have a great impact on employee satisfaction may not necessarily increase the satisfaction. Entrepreneurs may work for a long time without income for the internal reasons to help to the growth of their business, but employees need more external incentives. Therefore, managers are recommended to consult directly with employees about the various practices that motivate them to provide external incentives for employees to stay in the company.

Due to the time constraints and limited participation of startups in the interviews, this study was conducted on only two startups. Therefore, the scope of research is limited and the results may not be generalisable to other conditions, situations, and domains. There are many differences between startups from different areas of activity. Additionally, there are always different cause-and-effect relationships in studies related to HRM that limit the conclusions. Therefore, the study of HRM in startups with their specific complexities and fields of activity requires that the researcher focus deeply on specific findings. In qualitative research, the researcher's assumptions and decisions may compromise the results of the research.

Therefore, the bias of the researcher can be considered as one of the limitations. The researcher's experience and understanding of basic theories related to the research influence the identification of patterns and the explanation of concepts. Of course, in the present study, the researchers tried to act without bias as much as possible.

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**Table 1.** Themes extracted from the answers of participants to question 1

Theme	concept		
	startup	Entrepreneur's response	Employees' response
Theme 1. Types of HRM missions	PGUM	<ul style="list-style-type: none"> <li>- the growth of the expertise of the employees</li> <li>- common objective</li> <li>- identifying the strengths and weaknesses of the employees</li> </ul>	<ul style="list-style-type: none"> <li>- common objective</li> <li>- coherent team</li> <li>- motivated team</li> <li>- creating value through employees</li> </ul>
	LAKLAK	<ul style="list-style-type: none"> <li>- building a common dream</li> <li>- foresight</li> </ul>	<ul style="list-style-type: none"> <li>- teamwork</li> <li>- innovation and creativity</li> </ul>
Theme 2. Success factors	PGUM	-	<ul style="list-style-type: none"> <li>- follow-up by management</li> <li>- persistence by management</li> <li>- management cohesion</li> </ul>
	LAKLAK	<ul style="list-style-type: none"> <li>- dream building</li> <li>- strong software team</li> <li>- solidarity</li> </ul>	<ul style="list-style-type: none"> <li>- labor relations</li> <li>- sustainability of the entrepreneurs</li> </ul>

**Table 2.** Themes extracted from the answers of participants to question 2

Theme	concept		
	startup	Entrepreneur's response	Employees' response
Theme 1. Compensation and Payments	PGUM	- Incentive shares	- Incentive shares
	LAKLAK	- agreed payments - dividing bonuses among employees - paying employees	- agreed wages and benefits - non-cash rewards like recreations - financial facilities - promising a better future
Theme 2. organisational structure	PGUM	- HRM is not considered as a separate unit - the entrepreneur as the HR manager	
	LAKLAK	- no hierarchy - dynamic structure - the entrepreneur plays the role of recruiting employees - other entrepreneurs as decision-makers	- multiple roles of one person in the organisation - manager of the company is responsible for human resources management
Theme 3. selection and recruitment	PGUM	- the employed people must fit with the company team - behavior and ethics are important	
	LAKLAK	- attracting talented and adherent people - ethics as the basis of employment - the individual's fitness with the company as the basis of employment	- the need for aptitude assessment at the time of recruitment
Theme 4. training and development	PGUM	- encouraging training and enhancement of the abilities	- the importance of training for creating a good feeling in new workforces - the necessity of teaching the characteristics of teamwork
	LAKLAK	- training skills - employee development - training labor relations	
Theme 5. employee relationships	PGUM	- friendly relations - Knowledge sharing as a factor of employee relationships - solidarity - making new employees familiar with the team	- good relationships of the manager with employees - intimate atmosphere - collaborative environment
	LAKLAK	- Happy and friendly labor relations	- friendly relationships - good behavior and sympathy of the manager
Theme 6. working conditions	PGUM	- transparent working conditions - flexible working hours	
Theme 7. Job opportunities	PGUM	- delegation of authority	
Theme 8. Tasks and objectives	PGUM		- clear tasks and objectives
	LAKLAK	- determining clearly tasks and	

Theme	concept		
	startup	Entrepreneur's response	Employees' response
		objectives	
Theme 9: performance appraisal	PGUM	- performance appraisal by the entrepreneur	- performance appraisal and providing feedback
	LAKLAK	- evaluation of employees' output - weekly performance appraisal and providing feedback	- the manager response to errors - performance appraisal