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What is the role of Human Resource Management in growing start-ups?

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Dissertation written under the supervision of Professor Géraldine Galindo

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Abstrato

Qual é o papel da Gestão de Recursos Humanos nas start-ups em crescimento?

Catarina Margarida R. S. do Nascimento

As start-ups são consideradas a ‘grande revolução’ dos últimos 30 anos. Pesquisas anteriores sobre start-ups focaram-se sobretudo na influência de entrada no mercado, ideia e financiamento no crescimento. Em paralelo, na área da Gestão de Recursos Humanos, diferentes autores provaram que práticas de recursos humanos podem criar valor para as organizações. No entanto, ninguém tentou até ao momento compreender especificamente que papel tem a Gestão de Recursos Humanos nas start-ups em crescimento. Através de cinco start-ups e baseada em entrevistas e inquéritos feitos junto de empregados e fundadores, esta tese revela que a Gestão de Recursos Humanos pode ter vários papéis nas start-ups em crescimento – desde estratégico a não estratégico de todo. Esta tese permite fazer descobertas que são interessantes para futura investigação sobre o assunto e que podem ser integradas por empreendedores nos seus planos estratégicos, conduzindo ao sucesso empresarial.

Palavras Chave: gestão de recursos humanos, crescimento, start-up, estratégia

Abstract

What is the role of Human Resource Management in growing start-ups?

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Start-ups are considered the ‘big thing’ of the last 30 years. Previous research on start-ups focused mainly on the influence of entry timing, idea and funding on performance. In parallel, in the Human Resource Management field, different authors proved that human resource practices can create value for organisations. Nonetheless, until now no one tried to specifically understand what role Human Resource Management plays in growing start-ups. Departing from five start-ups and based on interviews and surveys conducted to employees and founders, this dissertation reveals that Human Resource Management can have several roles in growing start-ups – from strategic to non-strategic at all. This dissertation comes up with findings that are appealing for future literature on the subject and that can be integrated by entrepreneurs in their strategic plans, leading to business success.

Keywords: human resource management, growth, start-up, strategy

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1. Introduction

1.1. Context

Start-ups have been playing a significant role in the world economic growth in the last few years. Even though they are represented by small companies, they create jobs, spur innovation and generate competition. Overall, they substantially contribute to economic dynamism and value creation in society.

Besides boosting the economy, start-ups have become money-making engines, benefiting owners, employees and investors. On average, successful start-ups, running business for 3 years, have been growing revenues at 60% per year (Girardi, 2016), while private-companies, in general, have been growing revenues at about 5-10% per year in the USA (Biery, 2014). Some start-ups even turn out to become giant multinational corporations. For example, Facebook started out as a small coding project in 2004 and it is 12 years later worth more than \$350 billion (Carlson, 2010; La Monica, 2016). The same business escalation is observable in companies like Google, Apple, Amazon, Netflix, Airbnb, Tesla and Uber (Di Quinzio, 2015).

There are many reasons behind this strident growth that vary widely across start-ups. Every start-up has its unique model of growth that is vulnerable to changes over time. Nevertheless, in general, start-up growth is said to be supported by at least one of the following factors or by a larger combination of them - market opportunity (timing), organisational culture, fundraising skills, product/service idea and business model innovation.

At the same time, Human Resource Management is today increasingly relevant in companies. The business world is becoming more competitive, requiring companies to focus on organisational effectiveness and strategic decision-making. Some observers have been arguing that these differentiation factors can only be achieved if Human Resource Management issues are addressed at the highest level in the organisation and are considered strategic for the company.

1.2. Problem Statement

Human Resource Management has been described in many studies as a management tool capable of supporting growth and bringing value to large and complex human resource environments. Since start-ups are the fastest growing companies in the business world, it would be reasonable to infer that this growth is supported by the same strategic Human Resource Management that commonly plays a role in well-established companies, even

though these companies are facing a different business lifecycle. On the other hand, start-ups are very different in nature from well-established companies. Some entrepreneurs argue that start-ups' performance results from the implementation of non-traditional business practices. Correspondingly, there is no proven research that Human Resource Management is needed to support the remarkable performance of start-ups. Henceforth, a curious problematic arises: what role does Human Resource Management play in growing start-ups? Does it play a strategic role? Does it play a non-strategic role? Does it play any role in between?

1.3. Research Objective

The overall aim of this dissertation is to allow one to understand which role Human Resource Management plays in growing start-ups – strategic, non-strategic or other. This broad objective is then divided into more specific ones.

One purpose of this dissertation is to understand what the mission of Human Resource Management in start-ups is. Human Resource Management may have a strategic mission, meaning that it is designed to support organisational performance, or it can have any other mission. Furthermore, this dissertation seeks to clarify whether the mission of Human Resource Management is different or not across start-ups and the reasons behind such conclusion.

Another purpose of this dissertation is to more precisely identify what human resource practices are implemented in start-ups and if they vary or not across companies. Yet again, the reasons behind such conclusion will also be investigated.

Finally, this dissertation seeks to understand if there is a difference or not between founders' and employees' perceptions on implemented Human Resource Management in start-ups.

1.4. Research Questions

According to the research objectives presented above, the research questions are the following:

- 1 – What is the mission of Human Resource Management in start-ups?
- 2 – Is the mission of Human Resource Management different across start-ups?
- 3 – What are the human resource practices implemented in start-ups?
- 4 – Are implemented human resource practices different across start-ups?

5 – Is implemented Human Resource Management perceived differently by founders and employees?

1.5. Research Plan

The research plan is built on the research questions and the answers provided to those questions (Figure 1). The first research question aims to understand what the mission of Human Resource Management is in start-ups according to the perception of staff. By answering this question, it can be concluded if Human Resource Management is intended to be strategic or non-strategic for start-ups. The next question will focus on analysing whether the mission of Human Resource Management is different or not across start-ups. The third question proposes a better understanding of the human resource practices implemented in start-ups and how they relate to motivation, job satisfaction and productivity. Additionally, the extent to which these practices vary from one start-up to the next can be assessed through the fourth research question. This comparison will be based on the number of Human Resource Management areas to which start-ups dedicate themselves. Finally, through the fifth question, it can be analysed if implemented Human Resource Management is perceived differently by founders and employees of the same start-up or not. The answers to these research questions can be directly obtained through primary research.

Some information has to be inferred and interpreted from the data collected. This concerns the reasons why Human Resource Management might have a different mission across start-ups and why human resource practices may differ across start-ups. Some hypotheses were drawn on the basis of this dissertation's review of the extant literature on the topic (Figure 2). These hypotheses will be explored in the Discussion subchapter and if none of them is found suitable, other options will be put to test. If Human Resource Management has a strategic mission in some start-ups and not in others, and/or if some start-ups have a greater amount of implemented Human Resource Management areas than others, it may be the case that a greater staff size, the existence of a business model for an intangible product, the advancement in growth stage, the founder's entrepreneurial job experience and/or the existence of external funding sources influence people management in those start-ups.

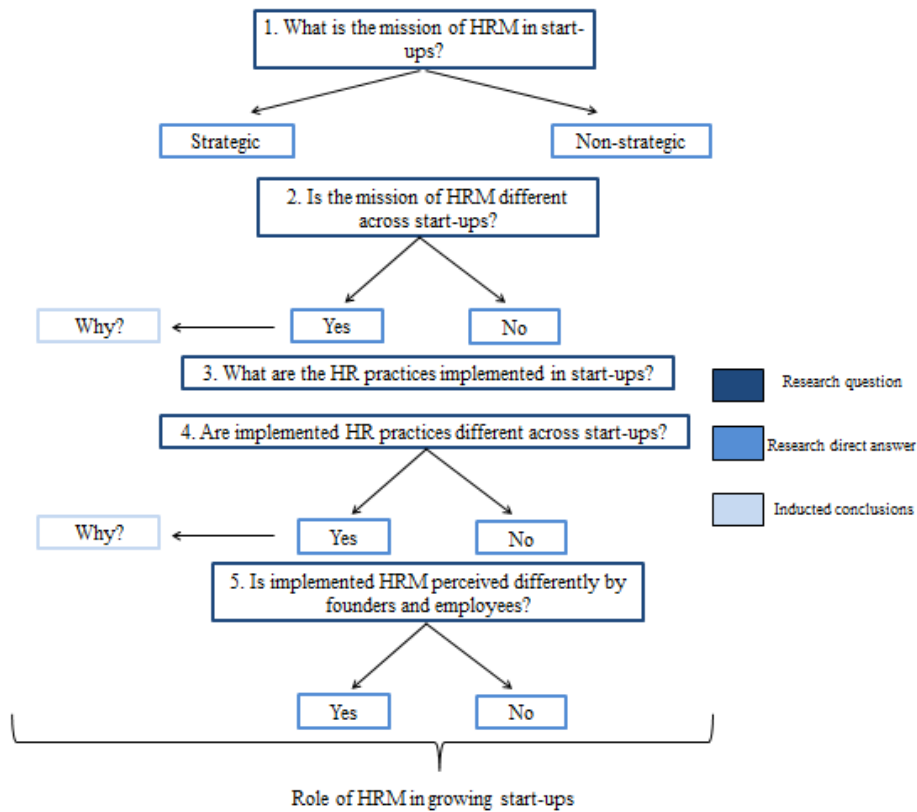


Figure 1 – Research plan

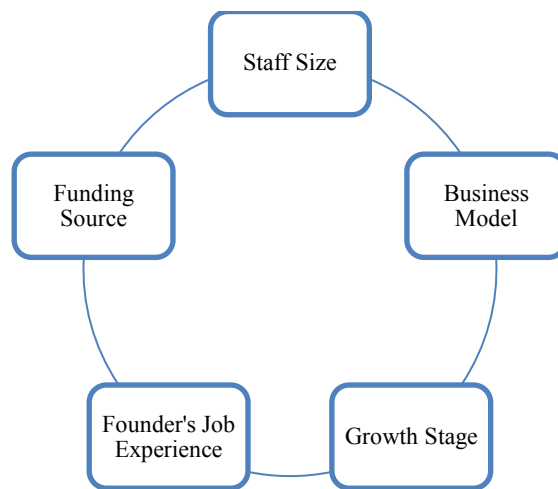


Figure 2 – Hypotheses

1.6. Dissertation Relevance

The relevance of this dissertation is mostly tied to the fact that successful start-ups play a role in economic prosperity. They start small but soon they ignite local economies and shape the surrounding ecosystem. Not only when looked at individually but also in aggregation, it is possible to conclude that start-ups can represent the economic strength of a country. It is

estimated that high-growth companies account for up to 50% of new jobs created (of which start-ups specifically account for about 20%), in the US in the last 30 years (Haltiwanger et al., 2010). For the same period and country, 60% of productivity growth occurred in young and small firms (mostly represented by start-ups). India is currently the world's fastest growing start-up ecosystem and the country wants to triple the 2014's number of start-ups until 2020, through massive funding and consolidation activities (Cunha, 2016). This expansion policy took off exactly in the same period when India galloped ahead of China as the fastest growing economy in the world (Khan, 2016).

Since successful start-ups drive job growth, productivity and economic dynamism, it is appropriate to identify the reasons behind their success and high performance. Only by doing so can the way for an entrepreneurial renaissance be paved, and present and future entrepreneurs made aware of the best practices that can be replicated or further improved in order to ensure business triumph. There is no single recipe for business success, but it is in the best interest of policymakers, entrepreneurs, managers and society to understand the role of Human Resource Management in successful start-ups.

1.7. Dissertation Structure

The structure of this dissertation is divided into nine chapters. Following this introduction, the second chapter explains the key definitions required to better understand the main concepts that will be discussed along this dissertation. In the third chapter, a summary of the literature concerning strategic Human Resource Management, start-up growth accelerators and start-up growth stages can be found. The methodology used to collect all the relevant information is explained in the fourth chapter. The fifth chapter is dedicated to the analysis of the data collected and to the discussion of results. Limitations of the study are discussed in the sixth chapter, while conclusions and future research opportunities are discussed in the seventh chapter. References and appendices, which were relevant to support the data presented along this dissertation, are presented in the eighth chapter and in the last chapter, respectively.

2. Key Definitions

2.1. Human Resource Management

Human Resource Management (HRM) has evolved over the past three decades from a largely administrative, operational function to an area of management often viewed as central to organisational viability and sustained competitive advantage (Wright & McMahan, 1992). Since HRM has been progressing as a business function, it has also become a broader concept subject to many interpretations and definitions.

According to Ruwan (2007), HRM describes organisational areas concerned with recruiting and selecting, job designing, training and developing, appraising and rewarding, directing, motivating and controlling workers. But according to Huselid (1995), HRM refers to the policies, practices and systems that influence employees' behaviour, attitudes and performance. This definition overlaps with Ruwan's but it also considers employee relations a crucial HRM activity. A broader definition is provided by Boxall and Purcell (2000) stating that HRM includes anything and everything associated with the management of employment relationships in the firm. This definition implies that these authors do not associate HRM with a specific high-commitment model of labour management or with any other particular ideology or management style.

In the context of this dissertation, HRM will be considered as a loose philosophy of people management rather than a focused methodology. Since HRM derives from a number of different strands of thought, it is best to be considered as a broad concept. Therefore, HRM will represent all policies, practices and cultural techniques used in people management.

2.2. Start-up

The term 'start-up' has been used very frequently since the 1990s to describe patchy young ventures, trendy apps, tech companies and small businesses in general. Usually start-ups are perceived as small companies (i.e. with a relatively low number of employees), with high growth rates, that have recently started operations in an immature market greatly correlated to technology (Robehmed, 2013). Nevertheless, there is no general agreement on the definition of the term 'start-up'.

Owners and entrepreneurs have been arguing in the last few years that the definition of a start-up should not be based on the number of employees, since there is no proper size standard. Some start-ups are technology-intensive which allows for high levels of

productivity, while others may not be, requiring a larger workforce. This criterion would also allow restaurants, hairdressers and other similar businesses to be considered as start-ups due to staff size. Some support that the definition should focus more on the size of revenues, rather than staff, even though this criterion may also be dependent on the industry itself. Scholars interested in the subject suggest that it is easier to define which companies are not start-ups than the opposite. For example, a reliable, repeatable, scalable and proven business model, no longer raising venture capital, should not qualify as a start-up (Blank, 2014).

Some academics and ventures have been working on less scientific definitions, more inclusive of the start-up organisational spirit and growth model based on future planning, rather than past perpetuation. Ries (2011) defines a start-up as a human institution designed to create a new product or service under conditions of extreme uncertainty, while the co-founder and co-CEO of Warby Parker, Neil Blumenthal, believes that a start-up is a company working to solve a problem where the solution is not obvious and success is not guaranteed. Additionally, Adora Cheung, co-founder and CEO of Homejoy, describes a start-up as a state of mind.

There are no hard and fast rules on defining a start-up. For the purpose of this dissertation, the definition of start-up will go beyond the one of small business getting off the ground. A start-up is a company that was designed from the beginning to have high growth potential and serve a large market, selling an unproven business concept scalable in the future.

3. Literature Review

This literature review aims to support the discussion presented in the following chapters. It gives theoretical background on the strategic role that HRM might have in a company, taking into account how human resource (HR) practices commonly influence organisational performance. Furthermore, it introduces factors that have proved to contribute to start-ups' high growth rate, such as entry timing, fundraising skills, product/service idea and business model. Finally, it introduces the various growth stages of a start-up and explains the relationship between them and HRM.

3.1. Strategic Role of Human Resource Management

HRM has an increasing importance today because of the necessity to understand individual and group behaviour, in order to help improve organisational performance and effectiveness (Gruenfeld & Tiedens, 2010). HRM is subject to many contingent factors

shaped by the internal and external environment of the company. Organisation, resources, economy, technology and legislation influence the way HR practices are implemented across different companies (Budhwar & Debrah, 2001). This prevents researchers from saying that there is one best way to do it. Instead, there are many best practices that vary according to the context in which they are applied. HRM is not universal and 'one size, does not fit all'.

To date, a large number of researches provide clear evidence that HRM can be strategic for organisational performance (i.e. growth and profitability) at the level of a well-established company (Delery & Doty, 1996). Empirical evidence further suggests that the impact of HR practices on organisational performance may be further enhanced when they are aligned with the competitive business strategy of the organisation (Cappelli & Singh, 1992). This opposes a role of HRM that focuses on HR practices that are only intended to facilitate legal and administrative procedures, while other factors drive organisational performance. Even though studies have been useful in demonstrating the potential value created through HR practices under a strategic role, they have revealed very little regarding the processes through which this value is created (Wright & Gardner, 2003). The perspective most commonly adopted, that will be deeply explained in this chapter, is one that well-implemented HR practices, which fit employees' needs, develop motivation and satisfaction, such that employees behave in ways that support and align with the implementation of a particular business strategy (Acquaah, 2004) (Figure 3). Nevertheless, cross-sectional designs show that it is not possible to rule out the possibility that firm performance is driving HR practices and not the reverse (Wright et al., 2003).

According to Zaffron and Logan (2009), performance is critical in every business and performance always comes down to the actions of people, individually and in group. Motivated and satisfied employees are inclined to be more productive (i.e. have an increased rate of power to produce) than non-motivated employees, and to perform in impressive ways that are congruent with the organisations' goals (Srivastava & Barmola, 2011). Moreover, they exhibit quality in-role behaviour and engage in less counter-productive behaviour (Virtanen, 2000).

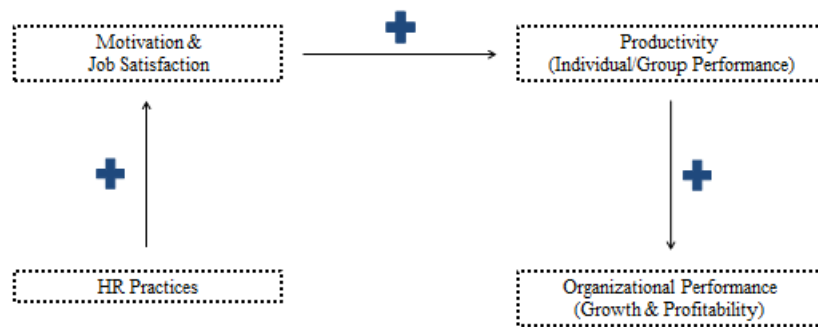


Figure 3 – Common value creation process of strategic HRM

3.1.1. Motivation & Job Satisfaction

At this stage, it is important to better understand what motivation and job satisfaction mean in the context of a workplace. Motivation has been described in many different ways and by many researchers, politicians and psychologists. In its essence, motivation is a way of getting people to do what you want them to do because they want to do it. Basically, it is the process that accounts for an individual's intensity, direction and persistence of effort towards attaining a certain goal (Robbins et al., 2012). In a workplace context, the goal is related to the outcomes expected from a specific job position. Motivation will lead people to have the desire to achieve the predefined goal and to actually perform beyond the prescribed duties. There are intrinsic and extrinsic motivators (Ryan & Deci, 2000). Intrinsic motivators depend on a person's internal desire to do something, due to things such as personal interest and challenge. Extrinsic motivators come from outside the person and relate to rewards/incentives proposed by third parties. In a workplace context, management should focus on promoting extrinsic motivators.

Job satisfaction refers to how well a job provides fulfilment of a need or a want, or how well it serves as a source of enjoyment (Locke, 1976). Job satisfaction may also refer to well-being at work, which characterizes the quality of working lives, including occupational safety and health aspects (Schulte & Vainio, 2010). Job satisfaction may be impacted by individual characteristics, such as race, gender, educational level and age (Reiner & Zhao, 1999) or characteristics of the work environment (Herzberg, 1966).

3.1.2. Human Resource Practices

In the following paragraphs, the most common best practices of HRM impacting motivation and job satisfaction will be addressed. These HR practices were selected based on the major areas of HRM defined by Horsnby et al. (2005). One of the starting points is job design. The job design theory proposes that any job can be described in terms of five dimensions – (1) skill variety, (2) task identity, (3) task significance, (4) autonomy and (5) feedback (Hackman & Oldham, 1976). The first three dimensions clearly relate to the purpose of doing meaningful work, while the fourth and fifth dimensions relate to responsibility for outcomes and knowledge of results, respectively. This theory is complemented by the fact that when considering job redesign, approaches like rotation (i.e. shifting between tasks), enlargement (i.e. expanding variety of tasks) and enrichment (i.e. increasing execution and evaluation) might be relevant. If jobs are designed properly, they can give employees greater discretion and sense of accountability, introduce complex tasks that enhance a feeling of challenge and give employees feedback on how their performance contributes to a meaningful outcome.

Setting goals and building expectations is also an important mission of the management team that greatly impacts motivation and job satisfaction. If goals to be attained in a certain job position are specific and complex (but not impossible to achieve), and there is feedback on performance, proactivity will very likely increase (Locke et al., 1981). Expectations also need to be managed in the most appropriate way taking into account the effort-performance, performance-reward and reward-personal goals relationships (Lawler III & Suttle, 1973). Employees feel proactive and recognised when they are presented with reasonable tasks and goals, for which they are recognised when succeeding, and for which they are rewarded with something that they find suitable and desirable.

Employee relations are also critical for employees' motivation and job dissatisfaction. Organisational justice and voice are two of the most relevant components of employee relations. The organisational justice framework is composed by three main dimensions – (1) distributive justice (i.e. outcomes), (2) procedural justice (i.e. decision-making processes) and (3) interactional justice (i.e. supervisor's treatment) (Cropanzano et al., 2001). Fairness across the three dimensions can payoff in the form of effective working relationships, greater transparency and acceptance of change (Tyler & Blader, 2003). For example, the way decision rights are allocated across the organisation can serve the purpose of monitoring or

incentivising employees (Hall, 2002). A centralised structure at the top of the organisation is ideal to control the actions of employees, while a decentralised structure, which pushes decisions down, signals recognition and creates better incentives for proactive behaviour and accountability. Voice is also perceived as a relevant way to improve understanding between peers, thus enhancing decision acceptance. Both instrumental and symbolic voice enhance employees' self-expression (Korsgaard & Roberson, 1995).

Employee development is also crucial to foster high levels of motivation and satisfaction. Talent development can involve many activities such as training, mentoring and coaching, and also more general activities such as job design, recruitment and compensation design (Stahl et al., 2007). Promoting the right development programs can enable the company to enhance internal consistency and a sense of belonging among employees. Furthermore, development contributes to employees' feeling that their talents and efforts are recognised and that the management team is involved and investing in their potential.

Working conditions are essential to ensure motivation and avoid job dissatisfaction. Working conditions rely on physical and psychological elements. Physical elements refer for instance to the organisation of work, facilities design, available tools and working atmosphere, while psychological elements refer to employee relations, emotional demands, workload, impairment of work-life balance and conflicts of values (Cox et al., 2000). Companies can have two different approaches to working conditions – cure or prevent. 'Cure' is a passive way of dealing with working conditions since it offers compensation for a lack thereof, while 'prevent' is an active way of creating a safe work environment, exercise full control of hazardous compounds and promote pleasure in work.

Another important HR practice in the context of motivation is recruitment and selection. Recruitment encompasses all solicitation methods of applications for employees with great potential, whereas the selection process is used to decide which applicants meet the appropriate requirements for filling the vacancy (Raphael, 2010). The recruitment of the right amount of people with the appropriate competencies, experience and knowledge, performing the right functions, timely and with a compatible cost, is one of the key strategies used to have a more functional and synchronised workforce (Anderson et al., 2004). Employees feel more recognised when they sense that they do not have to constantly clean up the mess of co-workers because they work in a place filled of qualified and skilled people (Wright et al., 2003).

Incentive strategy is another relevant management decision since it directly impacts the level of motivation and job satisfaction generated among employees. Incentives concern the way organisations tie rewards and punishments to individual and team performance in order to motivate value-creating behaviour (Hall, 2002). Incentives have been used to overcome the principal-agent problem, contributing to an alignment between employee behaviour and the firm's interests. When it comes to incentivising employees, companies tend to focus on pay. The reasons for this are that pay rates are visible, and easy to compare and adapt (Rynes et al., 2004). Nevertheless, pay is not important to everyone in the same way, there are many individual and situational contingencies. For instance, pay is more important to extroverts than to introverts (Lucas et al., 1996) and to men than to women (Mincer & Polachek, 1974), and more important in job choice when pay varies widely across employers than when pay is relatively more uniform (Rynes et al., 1983). Pay is highly debatable as an incentive, and according to Pfeffer (1998) there are six dangerous myths about compensation. One of the most relevant myths is that people work for money. In fact, people do work for money, but they work even more for meaning in their lives. Monetary rewards are necessary but not sufficient to ensure loyalty and interest. Employees seek non-monetary rewards such as job security, career growth, praise and recognition (Ariely et al., 2008). An exciting but not so well-paid job is often more valued than a highly-remunerated, boring one. This leads, for example, to the necessity of having career opportunities and progression schemes. If clear hierarchical levels and job titles are established in the organisational structure of the company or if employees have the freedom to rotate, make choices regarding different job positions and improve capabilities; their sense of purpose will increase (Inkson & Arthur, 2001). Under these circumstances, employees feel that they have something to aim for and that they can make sense of their own path as professionals and individuals.

All the rewards mentioned above should be set according to performance (individual and/or group performance), meaning that there must exist a performance measurement system. Performance measurement systems have strategic, administrative and developmental purposes. Under the administrative scope, they are commonly used to make decisions regarding promotion/career progression and pay rises (Gomer-Mejia et al., 2004). These systems can use relative (i.e. comparing individuals relatively to their peers) or absolute (i.e. comparing individuals with absolute standards) standard methods, or actual results (i.e. management by objectives); and they can also rely on several tools such as appraisal interviews and 360 feedback (Jafari et al., 2009). Ineffective performance measurement

systems have been at the core of many problems affecting organisations. Companies have been relying a lot on objective performance measurement systems since they are fast, simple and free from conflict (since there are no counter-arguments to objective measures). Nevertheless, controllability, alignment and interdependency problems arise once employees are evaluated based on objective figures. Therefore, a certain level of subjectivity in performance evaluation systems is recommended to ensure a reasonable assessment of accountability and quality (Hall, 2002). If employees do not perceive the reward system as being unbiased, they will not feel particularly recognised by their efforts.

3.1.3. Human Resource Practices Explaining Motivation & Job Satisfaction

The HR practices described above illustrate how factors like accountability, challenge, meaningfulness, transparency, proactivity, recognition, advancement, belongingness, safety, drive and fairness can be stimulated in a workplace. Maslow's Hierarchy of Needs (1943) and Herzberg's Two Factor Theory (1966) explain how these factors influence motivation and job (dis)satisfaction.

Maslow's Hierarchy (Appendix 1) represents a five-tier model of human needs that states that people are motivated to achieve certain needs and that some needs take precedence over others. Our most basic need is physical survival, and this will be the first thing motivating our behaviour. Before progressing on to meet higher-level needs, one must satisfy lower-level needs. Therefore, self-actualization will be achieved only when physiological, safety, belongingness and esteem needs are satisfied. Maslow noted that only one in a hundred people become fully self-actualized. Nevertheless, everyone has the desire to move up the hierarchy towards that highest level, seeking accomplishment and change through personal growth. Consequently, HR practices positively impact motivation when they enhance the fulfilment of needs, such as safety, acceptance, recognition and advancement.

Herzberg's Two Factor Theory (Appendix 2) pointed out a significant difference between situations in which employees felt good and bad about their jobs. Herzberg's findings revealed that job satisfaction and dissatisfaction are not opposites, in the sense that remedying the causes of dissatisfaction will not create satisfaction. The characteristics associated with job dissatisfaction are called hygiene factors, while those associated with job satisfaction are called motivating factors. Therefore, HR practices positively impact job satisfaction when they enhance motivating factors, such as achievement, responsibility and recognition.

3.2. Start-up Growth Accelerators

Start-ups and well-established companies naturally have different revenue growth rates. The explanation for this is that the two types of companies are at different stages of their business lifecycles (Burns, 2016). Start-ups are representative of an early business stage where it is relatively easier to double or triple revenue size, while well-established companies are representative of a mature business stage where it is more difficult to largely expand revenues, since they are already at a very high level. Nevertheless, business stage is not the only explanation for growth; otherwise all new businesses would grow at a very significant rate due to their small scale. Even though there is no consensus on the exact percentage of new businesses that fail, entities like the US Bureau for Labor Statistics, Harvard Business School and Small Business Administration agree on the fact that at least 50% of new businesses fail in their first few years. Small young companies grow faster than big old ones, but what makes them succeed in the very beginning is not only related to size or age.

Industry and country of origin can play a role in growth. Many start-ups that succeed and grow at very large rates operate in high technology industries, like gadget manufacturing, artificial intelligence, scanning and fraud detection software, social networks and renewable resources (Baldwin & Gellatly, 2003). Additionally, some start-ups have more governmental support than others in matters like funding, bureaucracy and taxation (Fisman & Svensson, 2007). Some countries are also more attractive than others according to their market size. These reasons explain why India, China and Malaysia are becoming start-up hubs through the creation of \$1.5 to \$30 billion funds to encourage start-up launch.

Start-up growth can also be accelerated by funding rounds (usually from venture capital and business angels), especially in start-ups that are highly dependent on external funding to sustain a high valuation (Jeng & Wells, 2000). External working capital is essential since it allows for the operational survival of these start-ups until they begin focusing on profitability. The intention of becoming profitable is crucial, since many times what these companies do is invest money back in the company to keep the growth steady, instead of collecting potential profits.

Networking is another factor considered as a start-up growth accelerator since it increases the capability to intensify connections in the business, get advice from more experienced entrepreneurs, rise the profile of the company and create funding opportunities. Networking is particularly impactful in small environments because it enlarges the audience and increases

the number of users in ways that would not be possible if the company was only acting locally (Witt, 2007).

Yet, Bill Gross, founder of Idealab, an incubator of new inventions, states that the growth accelerator that stands out the most is timing. His research across 200 companies shows that timing explains 42% of company success. Companies succeed when they enter business in the precise moment in which their idea was needed. This can be illustrated by the success of Airbnb. Airbnb was created during the peak of the recession in the US when people really needed extra money, which led them to overcome the objection of renting their places to complete strangers. Would the idea *per se* have been a success at any other moment in time? It is difficult to say. This research is also supported by the World Economic Forum. In one of its studies on Entrepreneurship in 2011, timing was identified as the top growth accelerator by companies (especially in Asia and Americas).

Apart from timing, many entrepreneurs argue that their success is consequence of a wild idea - a product or service that they have planned and that completely fits unmet demand in the market (Li, 2001). They created a solution to an existent problem or they created a solution for an unarticulated need. Now, the meaning of 'idea' deserves to be better explained. Every business starts as an idea. Nevertheless, there is a difference between an idea and a lucrative idea. The latter comes from identifying and solving a consumer challenge, a need in a community. Successful start-ups argue that their businesses work because they solved inconveniences and voids that were found in day-to-day lives.

According to Mikkel Svane, co-founder and CEO of Zendesk, start-ups are also largely benefitting from the new consumer trends related to marketing. If your company's offering is strong enough, customers will do the marketing for you. This is called the free marketing effect. Start-ups have been developing a customer service that turns their customers into promoters, through the way they recommend the company to friends, family and even strangers (Marino & De Noble, 1997). Word of mouth is one of the big reasons why some start-ups have become viral. Social media and technology have been helping start-ups to capitalise on this, since it is easier today, than ever before, for consumers to talk about a product/service in a large discussion forum. Start-ups have also been benefitting from the rise of conscious consumers that care about corporate social responsibility. Start-ups understood from the beginning that success could be highly related to the core values they support and sell to customers. Consumers are looking for empathy. They want to buy a product which

they identify with. Strong brand awareness and identity values have been leading some companies to success, like Who Gives a Crap and Lush Cosmetics.

The business model canvas, developed by Alexander Osterwalder (2010) to support entrepreneurs, also helps explaining why some solutions work better than competing ones and how big a wedge a company can drive between costs and what customers are willing to pay. Start-ups do not come up with the perfect business model easily. Many business models are not worth scaling and need to be constantly tested and improved. By focusing on the right metrics the entrepreneur will be able to cut through the noise involved with launching a new product (Furr & Ahlstrom, 2011) and come up with a business model for disruption. Some start-ups have succeeded because of their business models. Priceline had a 30% increase in stock price since 2014 due to its reverse auction model (Rossolillo, 2017), Amazon is a \$295 billion company in 2016 due to its strategy to cut prices today to gain industry share and profit in the future (Levy, 2016), while Airbnb is highly successful due to its person-to-person business model.

Another aspect that has been referred to as a growth accelerator is organisational culture. Dealing with business challenges requires a lot of time and resources, two things that usually start-ups do not have. This means that start-ups have an extra incentive to avoid internal disruption and try to develop an identity inside company walls (Staub et al., 2016). Personality, transparency and a strong sense of purpose are some of the means used to achieve this. Start-ups aim at employing people that mirror the client base, as a best way to track customer behaviour and character. Personality counts when choosing an employee and it is an essential hiring criterion to ensure alignment with the business. At the same time, start-ups usually develop a transparent environment regarding salaries, career progression and future goals. Transparency is perceived as a way to bring everyone to the same level inside the company. Furthermore, workers need an unwavering belief in what they do. Individuals work better when they understand the drive of their job and when it is clearly articulated to them what the mission of the company is. Start-ups are experts in building a solid duty and spreading it inside company. The way decisions are made in start-ups is also part of their culture as organisations. Usually, start-ups have very practical and informal ways of dealing with bureaucracy (Koivulahti-Ojala & Märijärvi, 2016). Operations are kept simple, because flexible and adaptable work is a source of competitive advantage. There is no such thing as a go/no-go decision funnel; start-ups promote fast decision-making processes, reward

entrepreneurial behaviour, encourage subordinate initiatives and avoid complex policies and procedures.

In addition, founders' management style is also referred as a growth accelerator. A founder's vision, personal charisma and skills are key ingredients in the early success of a start-up (Gulati & DeSantola, 2016). Founders have a drive difficult to find among other employees, since they are highly devoted to the idea and care for the company deeply. Moreover, it is said that if founders had previous entrepreneurial experience, they become further capable of contributing to superior business performance and strategic decision-making on their current venture (Cooper, 1981). As a result, founders have a great influence in start-up success and they often have a powerful and central role in its early years. This level of power tends to diminish over time as the start-up becomes more solid and scalable, and the 'control dilemma' arises. According to Wasserman (2017), as the start-up grows, founders who keep too much control of the start-up, and its most important decisions, can harm the company's value. There is a trade-off between attracting the resources required to build company value and being able to retain control of decision-making. In order for a start-up to successfully grow, it must be an institution that transcends any one individual over time.

3.3. Start-Up Growth Stages & Human Resource Management

Different measures of growth have been proposed in the entrepreneurship literature in the last few years. Several scholars argue that traditional accounting-based indicators of profitability are inappropriate for early-stage spin-offs, since most start-ups do not make profits during their first years (Lee et al., 2001). Sales is an often preferred measure of firm growth of new ventures (Hoy et al., 1992).

By the same token, there are two sources of start-up growth – internal and external. The internal source focuses on achieving self-financing sustainability and profitability, and it usually results in a low to medium growth rate in the short-run. In comparison, the external source focuses on achieving high valuation through external funding rounds (e.g. venture capital, business angels, bank loans, founders' savings), and it usually results in a high growth rate in the short-run. The two sources of growth represent different ways of dealing with the common trade-off between company valuation and sustainability (Davila et al., 2003).

Independently of growth indicators and sources, the growth pattern of a start-up can be categorised in a systematic way. Start-ups have usually five stages of development that are

delineated according to managerial style, organisational structure, extent of formal systems, major strategic goals and the owner's involvement with the business (Churchill & Lewis, 1987) (Appendix 3). 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. Finally, in the fifth stage ('resource maturity'), the company is consolidating and finding ways to retain its competitive advantage, while at the same time it is focused on professionalising the company and avoiding ossification of innovation thinking.

HRM evolves across the different growth stages. In the early stages, the formal systems of the company are minimal and staff size is very small. When start-ups reach further stages of development, formal systems mature and organisational structure becomes more complex and staffed. In the very beginning, the owner controls and supervises everyone's work. When the focus of the company is 'survival', the start-up promotes managers that are now responsible for the supervision of their subordinates. Once the company reaches 'success', staff members become more professional, meaning that recruitment is more demanding, and owners start delegating some of their tasks and focusing only on superior management. As soon as the company 'takes-off', it goes through a full-delegation process and increases the level of responsibility of lower layers of the hierarchy. When the company reaches 'maturity', it is very likely working as a decentralised organisation under more formal procedures. Thus, there is a positive relationship between the speed at which a start-up team is growing and the implementation of HRM. HRM comes up as a solution to cope with emerging workforce challenges and complexity of the business once the start-up progresses along the five stages of development.

From the reviewed literature, it can be concluded that HRM can play many different roles in well-established companies. Markedly, a strategic role is the one that contributes the most to the organisational performance of companies. A strategic role opposes a role that is purely administrative, in which HRM is used with the single purpose of facilitating the daily life of companies. It is a point often overlooked that strategic HRM does not have one single way of

creating value in organisations. However, it is fair to say that the most common way of creating value is through the implementation of HR practices that increase the level of motivation and job satisfaction of employees, increasing their productivity. Under those circumstances, organisational performance is expected to increase. At the same time, successful start-ups grow at very high rates and many growth accelerators have been appointed as reasons behind such performance. Surprisingly, HRM has not been referred to as a growth accelerator until the time of writing, albeit the fact that HRM is expected to progress across the various growth stages of a start-up.

4. Research Methodology

In order to answer the formulated research questions and accomplish the research objective, the research methodology developed in this dissertation is based on primary data sources. Topics related to HRM are quite dependent on real-life context information and they usually deserve a thorough analysis. Therefore, this research methodology will be based on the collection of detailed first-hand information. The chief goal of this dissertation is not to come up with a systematic approach, capable of producing comparable and generalised results, but instead to produce an exhaustive description of specific contexts.

4.1. Population of Study

One single start-up could never be sufficiently representative of the complex and contingent business settings that exist. Therefore, the population of study was meant to be as varied as possible, but still short to ensure an in-depth analysis of information, in order to more closely replicate the wide-ranging reality of start-up businesses. After establishing this variety criterion, start-ups were selected according to their revenue growth rate (present or expected)¹, availability and transparency.

The five start-ups chosen to be part of this research - Agrikolage, Landing.jobs, Sea Bookings, Trigger Systems and Zaask - vary in product/service, size, age, geographic presence and funding (Appendix 4). However, they share the fact that they were all founded in Portugal.

¹ Annual revenue growth rate equal or above average rate (Girardi, 2016).

4.2. Data Collection

4.2.1. Qualitative Research

To answer this dissertation's research questions, it is necessary to explore different points-of-view start-up staff may have regarding the role of HRM in their organisations as well as underlying reasons for those points-of-view. Only through qualitative research procedures would it be possible to answer questions about why and how people behave the way they do, and about their job-related beliefs and personal experiences (Creswell, 2014). According to the purpose of this dissertation and the appropriateness of the available research methods, this study is based on qualitative research.

4.2.2. Research Tools

Online surveys, in-person interviews and focus groups are the most common tools used to gather information in qualitative research (Remenyi, 2013). Surveys are highly formal and standardised, meaning that they are not suitable for exploratory research that is open to unexpected data. Interviews are appropriate to explore subjects in which meanings, motives and patterns would be unnoticed in standardised approaches. Focus groups are widely used in marketing and socio-political research. Consequently, interviews and surveys were found suitable as research tools.

4.2.2.1. Interview

Interview was the tool chosen to conduct part of the data gathering process since it is useful for eliciting in-depth information and illuminating meanings (Creswell, 2014).

Interviews can be structured, unstructured or semi-structured (Bernard, 1994). Structured interviews follow a rigid guideline set right from the beginning by the interviewer, while unstructured interviews do not require any previous planning and questions are asked according to the flow of the interview. Semi-structured interviews have a list of introductory questions that are used as a starting point for discussion, but that allow flexibility during the rest of the conversation.

It was decided that interviews would be semi-structured since there was a special interest in having a flexible guideline that would allow the discussion of emerging findings (Gillham, 2005). When making this decision, it was borne in mind the fact that contextual findings of semi-structured interviews do not generalize to the business world as a whole. The

unstructured portions of the interviews are so personalised that findings must be always interpreted as exploratory in nature. There is hope that many of the reported findings can be corroborated with other methods informed by the preliminary findings given here.

Semi-structured guidelines should be complemented by a set of topics that may be referred to during the interview discussion (Bernard, 1994). The purpose of this is to add critical elements to the discussion that may not have been referred to by the interviewee. Therefore, an initial list of pertinent topics (Appendix 5), inspired on the reviewed literature, was developed.

The interview guidelines (Appendices 6 & 7) varied according to the job position held by the interviewee (founder vs. employee) and they were broken down into broad categories. The common point between the two guidelines was that all questions were open-ended, except the ones that asked for personal (e.g. tenure, job position) or direct business details (e.g. competitors, number of years operating). Open-ended questions gave interviewees the chance to elaborate on their answers, justify their arguments and even go beyond what was explicitly asked (Wilson, 2010). Interviews were conducted following the general guidelines of McNamara (2006) on wording and sequence of questions in order to avoid biases and build rapport with the interviewees.

Founders were asked, in the beginning, some personal questions related to their education and previous job experience, in order to better understand their management style and entrepreneurial spirit. Then, some questions were asked about the start-up itself. These questions concerned information that could not be easily found in the company website or available sources (e.g. organisational structure, number of employees, revenue size). The purpose of such questions was to better position the start-up in its business environment, and understand its organisation and performance in the market. The next set of questions focused on the mission of HRM in the company and on what interviewees' believed to be the growth accelerators of the start-up. These questions were meant to start a discussion about what the mission of the implemented HR practices is and how they impact company success. Then, founders were asked about the HR practices of the start-up. These questions were intended to clarify which policies were put into real practice, what coordination they require, how they can be improved and how they can differ between start-ups and well-established companies.

Employees were presented with different sets of questions. The first questions were related to their job position in the company and their perception of company growth. These

questions helped placing the employee in the structure of the start-up, and understanding which responsibilities he has in the company and how growth is inferred by start-up operationalists. The next set of questions followed the same reasoning as the one asked to founders, focusing on the mission of HRM, but elaborating on how employees feel that the implemented HR practices influence their performance.

Interviews lasted from 20 to 50 minutes through Skype. Participants did not require any confidential agreement and they could choose not to answer any question or terminate the interview at any time.

4.2.2.2. Online Survey

Online survey was the tool chosen to conduct part of the data gathering process. The survey was meant to complement the interviews with information concerning levels and drivers of motivation, job satisfaction and productivity. Respondents would feel more comfortable and would be more precise rating these aspects against a scale than just talking about them during an interview. The purpose of this survey was to investigate the relationship between HR practices and motivation, job satisfaction and productivity, according to the research of Acquah (2004) and Srisvastava & Barmola (2011) presented in the literature review.

All questions of the survey are closed-ended in order to ensure fast interpretation, similar meanings and comparability (Wilson, 2010). Respondents are provided with options to select from or they are asked to rate according to a certain scale.

The survey (Appendices 8 & 9) varied according to the job position held by the interviewee (founder vs. employee).

Founders were asked the same type of questions as employees. But they were supposed to answer according to the perception they had on motivation, productivity and job satisfaction of their employees; possible improvements to the level of motivation and job satisfaction of their employees; contributors to the level of motivation and job satisfaction of their employees; and how their company rates in various HR aspects inspired on the reviewed literature.

In more detail, employees were first asked to rate their motivation, productivity and job satisfaction as well as those of their co-workers (according to their own perception). These questions were intended to gather information about the level of motivation, job satisfaction

and productivity of the generality of employees. Then, employees were asked if their level of motivation and job satisfaction could be improved. These questions were intended to extract information regarding the potential that start-ups have to improve on these aspects. Later on, employees were asked to rate HR aspects according to how they contribute to their level of motivation and job satisfaction. This question was meant to verify if some HR aspects contribute more or less to motivation and job satisfaction than others. Finally, employees were asked to rate the start-up they work for on the same HR aspects presented in the previous question. The purpose of this last question was to corroborate if there is a match between the drivers of motivation and job satisfaction of employees and the implemented HR practices in the start-up.

4.2.2.3. Interviewees/Respondents

Since the purpose of this dissertation is to understand the role of HRM in the context of growing start-ups and given that HRM is driven by managerial policies, while at the same time impacting employee relations and performance, the best approach would be to interview and survey both founders and employees. This was the only way to ensure that the fifth research question could be answered. Founders' answers allow for a better understanding of what they think the mission of HRM should be in the company and what they expect to accomplish in the end. On the other hand, employees' answers offer the opportunity to understand their perception on HRM as executed by superiors and how it impacts their work as well as their perceptions of the company in general. In disciplines as subjective as HRM, that relate to individual understandings and experiences, it is always more appropriate to adopt an interpretivist perspective and recognise that there are multiple versions of reality that deserve to be cross-examined (King & Horrocks, 2010). Overall, following this approach, it would be possible to perceive both sides of HRM – from superiors and subordinates.

Interviewing and surveying more than one employee from each start-up would not be reasonable taking into consideration time and availability constraints of both parties involved. Therefore, one founder and one employee from each start-up were selected to be interviewed and surveyed (Appendices 10 & 11) and they were approached directly.

4.3. Data Analysis

This subchapter is meant to describe the data analysis procedure that leads to the interpretation of results and subsequent discussion. There are two different procedures – one applied to the data analysis of the interviews and another one to the surveys. The final

discussion is based on emergent results and relevant reviewed literature, and it takes the form of a narrative that will link the results to the various research questions, providing answers to them. The discussion does not focus on analysing or judging each start-up individually, but rather on coming up with findings that illustrate general differences and similarities across the start-ups under study.

4.3.1. Interview Data Structure

The data analysis of the conducted interviews is based on the data structure methodology proposed by Gioia et al. (2013). This methodology allows a rigorous analysis of qualitative information such as the one provided during the conducted semi-structured interviews. Moreover, it allows a better visualization of information, a parallel analysis across different interviews and research topics, and a clear explanation on how raw data progresses to structured themes.

This analysis consists of a table with rows representing research topics from the interviews (divided into three big research topics based on the interview guidelines – HRM & Company Strategy, HRM Overview and Others) and columns representing categories of data (Appendix 12).

The first column is labelled ‘1st order categories’, and through direct quotations of the interviews, it represents concepts that emerged from the interviews. All quotations are identified with the interviewee’s job position and company. The second column of data is labelled ‘2nd order categories’ and it is used to tag and describe the 1st order categories, according to the similarities and differences found across the interview quotations. The 2nd order categories represent themes that may help explain the phenomena observed and that allow for a more theoretical structure of raw information.

4.3.2. Online Survey Data Structure

The data analysis of the surveys is based on an aggregated examination of the five start-ups as well as on a breakdown of each start-up. This data analysis allows for a better comparison between founders’ and employees’ perceptions at the general level and also at the start-up level. Even though the data analysis partially takes into account aggregate results, those are not used with the purpose of extrapolating conclusions for other contexts. This dissertation is very much aware of the fact that it is taking a short sample into account. In line

with the planned data analysis, results of the surveys are presented according to job position and start-up (Appendix 13).

5. Results & Discussion

5.1. Results

Interview results are presented in Appendix 14, according to the data structure explained in the previous chapter. These results correspond to relevant quotations from the conducted interviews.

Survey results are presented in Appendices 15 to 17. Survey answers are presented in Appendix 16, according to the data structure explained in the previous chapter. Some survey statistics (i.e. minimum, average and maximum rates) are presented in Appendices 16 and 17, for questions 4 and 5, for founders and employees. Questions 4 and 5 were considered more numerical, so it was found suitable to have more quantitative information in order to better interpret results.

5.2. Discussion

5.2.1. Mission of Human Resource Management

There is no single mission of HRM in start-ups. For instance, HRM is described as being used so that employees “clearly understand what (...) to do”, to “spread the spirit of the company”, “retain people and provide personal development”, “develop the right level of trust” and not to “avoid thinking about the motivation of employees”.

Even though some interviewees do not clearly state that HRM has something close to a strategic mission in the start-ups they work for, almost all of them refer exclusively or complementarily to ‘team’/‘people’ when asked about the reasons behind success. Apart from “a brand that creates value”, “positioning in the market”, “investment in client relationships” and “first mover advantage” – common start-up growth accelerators presented in the reviewed literature -, “a great team of people”, “the quality of the people attracted and retained” and “adaptable, eager to learn and flexible people” are referred to as growth accelerators. This is evidence that employees, as individuals and in group, are found relevant in start-ups that are growing at very high rates sometimes beyond expectations and more than competitors.

The mission of HRM is described differently according to different start-ups. Some start-ups highlight more strongly than others that HRM is intended to positively contribute to

organisational performance. In particular, in one start-up both founder and employee claim that HRM has a pure strategic mission. In contrast, in another start-up, “HRM has not been a big contributor” to success according to both founder and employee, meaning that it has mainly a non-strategic mission. However, the majority of start-ups tend to have mixed feelings about the purpose of HRM.

It was hypothesised during the research plan that the reasons behind differences in the mission of HRM across start-ups could be staff size, business model, growth stage, funding source and/or founder’s job experience. From the five hypotheses, staff size, funding source and founder’s job experience seem to be the most reliable ones. In fact, start-ups in which HRM has a clear strategic mission tend to have more employees (sometimes up to ten times more) than start-ups in which HRM is not considered strategic (Appendix 18). Identically, start-ups that have an ambiguous position regarding the mission of HRM, meaning that it is not entirely clear across founders and employees what the mission of HRM is, have a staff size falling in between the two extremes. The opinion of some interviewees also seems to corroborate this conclusion. For example, it was argued that “HRM will only have a strategic mission once we get bigger” and that “fewer employees usually require fewer procedures”. Moreover, funding source also seems to play a role when it comes to define the mission of HRM in a start-up. In fact, the only company that is financed through venture capital is the one that claims having a strategic mission for HRM. Furthermore, founder’s job experience is also relevant when defining the mission of HRM in a start-up. For instance, only one of the interviewed founders has previous entrepreneurial experience, and the corresponding start-up has a non-strategic mission for HRM, contrarily to what the reviewed literature suggested. Surprisingly, business model and growth stage do not seem to impact the choice of HRM mission. As an illustration, three of the five start-ups have developed business models represented by marketplaces, meaning that they provide an intangible product through an online platform that brings together the demand and the supply for the same product/service. Even though the business model is quite similar across the three start-ups, they hold different positions regarding the mission of HRM – only for one of the start-ups this mission is clearly strategic. Likewise, growth stage has no clear relationship with the mission of HRM. Young start-ups (that are around one year old) are in the ‘existence’/‘survival’ growth stage and they are expected to have an ‘immature’ HRM. Nevertheless, one of the start-ups that clearly states having a strategic mission for HRM is part of this group. On the other hand, developed start-ups (that are more than three years old) are in the ‘success’/‘take-off’ growth stage and they

are expected to have a 'mature' HRM. Still, one of the start-ups that states having a non-strategic mission for HRM is part of this group.

Overall, HRM does not have one single mission across start-ups. From strategic to non-strategic at all, HRM can have several missions. Important to realise is the fact that staff size, funding source and founder's job experience tend to be the best explanations for the differences observed across start-ups.

5.2.2. Implemented Human Resource Practices

Many different HR practices are implemented in start-ups and they match some of the major areas of HRM defined by Horsnby et al. (2005). The most common HR practices implemented in start-ups tend to focus on recruitment and selection, performance evaluation, working conditions, employee relations and job design. Other employed HR practices refer to training and incentive schemes. Even though some start-ups pay attention to the same HRM areas, they may put to practice different procedures.

Recruitment and selection tends to be the core HR practice in which start-ups invest more time and money. This HR practice is found critical because if there is a deficient recruitment process "people will leave the company sooner or later". The process of recruitment tends to be very involving since both founders and employees have an active role. Employees are the ones responsible for hiring people for their departments/teams, while founders usually have a final say in a later stage of the process. When hiring, start-ups focus on attracting candidates with both hard and soft skills, but when this is not possible, the priority is hiring someone with proper soft skills that fit the company. A "match between the individual and the company" is the most important recruitment criterion, since it is believed that "technical competencies can be learned on the job, but attitude cannot be taught". Start-ups believe that they "can make people grow inside the team" as long as they "learn fast".

Performance evaluation is taken by start-ups very seriously, even though they tend to do it informally. The majority of start-ups use "direct and timely feedback", since they believe "it is very easy to evaluate everyone" due to company size, and there are not "enough resources and time to be allocated to a more formal evaluation system". Nonetheless, some start-ups implement stricter performance evaluation systems through initiatives like the "employee of the month". Regardless of the chosen performance evaluation system, appraising employees is perceived as a way of fostering improvement and recognition.

Working conditions are quite flexible in start-ups. In terms of entering and leaving hours, it is quite common to have a “formal schedule that is open to changes according to the needs of employees”. Moreover, there are flexible vacations and “policies for remote work”. The latter point is actually one of the reasons why many employees choose to work for start-ups. According to start-ups, “the only priority is to get things done by the end of the day”, and the way employees “choose to organise their time is completely up to them”. In terms of facilities, some start-ups have offices, while others have no physical location. In general, working conditions are considered satisfactory and they meet the standards.

In start-ups, the environment is transparent and collaborative. Transparency can be observed in issues such as salary and decision-making processes. Even though “salaries are not disclosed in any kind of formal document”, start-ups are very “relaxed about this kind of information” and the size of the company makes it very likely that everyone will know about each other’s remuneration. Employees are also invited to “get involved in managerial decisions”, sometimes even “about the most sensitive and strategic topics” of the company in order to reach consensus. Start-ups try to “promote at all times a family culture” through team building activities.

Job design is considered significant by many start-ups. They all agree on the point that employees need to feel that “what they are doing is relevant” and that they are “creating something from scratch”. Tasks are designed in order to allow employees to feel that they have a “real impact on something” and that they have a mission. In many occasions, this means that employees are given the “autonomy to make decisions”, being “just required to report (...) decisions to (...) colleagues”.

Training/development plays a greater role in some start-ups than in others. Some start-ups have a formal training system, while others have “continuous informal training”, and some others have no training at all since employees are expected to “learn by themselves”. Across start-ups that have training initiatives, these vary according to many aspects. Training may be provided only to certain teams (e.g. sales team), focus more on certain skills than others (e.g. hard skills) and be provided by different people (e.g. seniors and/or external coaches). Start-ups that invest in training argue that making employees “feel supported in their professional and personal growth”, and signalling that the company is investing in them, is the only way to meet the needs of “a knowledge-thirsty generation”.

Compensation schemes are very different across start-ups. Some start-ups provide only a fixed salary dependent on the job position, while others provide a variable component to employees of all positions or of only certain positions (e.g. sales team). Usually, there is no formal table for variable salary progression, meaning that it “is based on a case-by-case negotiation”. This negotiation takes into account the “general satisfaction with (...) performance”. In general, start-ups argue that it is “difficult to link performance and compensation” due to the fact that it is “difficult to come up with the right KPIs” when “cause-effect relationships” are not clear in such small environments. Together with, career progression does not seem to be a relevant HR practice in the context of start-ups. The majority of start-ups did not mention it as an HR practice, and the ones that did say that “career progression is not structured”, even though it is found essential “to attract and retain people”. Career progression in start-ups does not necessarily represent advancement in hierarchy, but instead it is associated with the employee having “more responsibility than in the past”.

Organisational structure is something on which start-ups have different positions. Even though all start-ups are organised in (more or less formal) departments that work in proximity and in “a very horizontal way”, not all of them have someone especially dedicated to HRM. Some start-ups have an HR person that is responsible for administrative tasks, while others count on founders and employees to do HR work. It is very common for founders to accumulate HR functions, especially the ones related to recruitment. In fact, founders usually have a “high level of commitment” to the business since there is an “extra motivation when you are working on your own ideas”. As time goes by and employees get more involved in managerial decisions, “start-ups become less dependent on their founders”.

Start-ups recognise, apart from their success, that improvements could be made to their HR practices. Regardless of the intensity of those improvements - some start-ups want to launch completely new programmes and policies, while others just feel the need to make some small changes - the concerned HRM areas would mainly be recruitment and selection, working conditions (especially facilities), training, performance evaluation and job design. In general, start-ups want to “consolidate things and come up with more solid ideas”. For instance, there is the ambition of supporting a stronger “interaction between the different departments”, create “more tools to help people building up their careers”, “reorganise tasks” and establish a clear “link between salary and performance”. Start-ups find these potential improvements essential to increase task enjoyment and department connection as well as

fairness, and to better retain employees. The latter point deserves a lot of attention from start-ups. Even though, interviewees do not hold in general the same position on employee retention, it is true that there is some concern regarding the high employee turnover. Some start-ups point out the fact that it is difficult to find the right replacement for those that leave, while others highlight the fact that employee turnover always represents a loss of time and resources for the company. Nevertheless, it is also believed that a medium to low employee turnover is expected, natural and even healthy, in order to avoid biases and conformism among employees.

During the interviews, the differences between working in a start-up and in a big company were also a discussion topic. The majority of the interviewees believes that these differences are relevant and that they clearly shape the implemented HR practices. In big organisations, “procedures are very strict”, “job related tasks are more specific and focused”, and bureaucracy is used to “avoid losing control” and having “accountability issues”. Bureaucracy is perceived by big companies as a necessary and natural phenomenon, if companies are increasing their size. Nevertheless, some of the interviewees made it clear that “bureaucracy is not related to size, it is related to culture”. Accordingly, start-ups differentiate from big companies in working culture. In start-ups, “management teams can more easily recognise talent and reward it” and employees can more effortlessly “carry through an initiative” since they are not required to “collect many opinions and approvals” before making decisions. Even though, employees are constantly asked to work on tasks that are “not part of (their) job description”, most importantly they do not feel that their work and effort are meaningless, since there are “less decision-making frictions” threatening responsibility and autonomy. Although all of this may be true, start-ups recognise the fact that their employees “start by earning less than” they would earn in big companies. Nonetheless, this downside is balanced out by the fact that in start-ups there is a “fast progression in salary and responsibility” over time.

From the paragraphs above, it can be easily concluded that implemented HR practices are different across start-ups, especially in volume. According to the reasons hypothesised during the research plan, it is possible to conclude that the same aspects that seem to justify the differences in HRM mission across start-ups are also the ones explaining the differences in the number of HRM areas implemented across start-ups (Appendix 18).

Overall, HR practices implemented in start-ups tend to focus on recruitment and selection, performance evaluation, working conditions, employee relations and job design. Nevertheless, not all start-ups implement the same HR practices. Moreover, some start-ups choose to implement a greater number of HR areas than others. Staff size, funding source and founder's job experience tend to be the best explanations for the observed differences.

5.2.3. Motivation, Job Satisfaction & Productivity

Across start-ups, founders and employees hold in general different points of view on motivation, job satisfaction and productivity drivers. However, there is an agreement regarding the levels of motivation, job satisfaction and productivity of employees and how start-ups rank in the various HR practices.

Both founders and employees rate motivation, job satisfaction and productivity at high levels (no rate below 6.5 out of 10 – Appendix 15), even though employees tend to be less satisfied with their jobs than their employers believe. Nonetheless, this difference in perception is relatively small (no difference higher than 2 – Appendix 15). At the same time, respondents of two start-ups are sceptical about the possibility of motivation and job satisfaction being improved (answers were “might yes or might not” and “probably not” – Appendix 15), while the remaining respondents positively think that these two aspects can be improved. This is quite interesting if we consider the fact that both founders and employees think that there are already high levels of motivation and job satisfaction.

According to founders, what contributes the most to the level of motivation and satisfaction of employees is ‘employee relations’ (rate of 8.8 out of 10 – Appendix 16) and ‘training’/’development’ (rate of 8.4 out of 10 – Appendix 16). Employees agree on the fact that ‘training’/’development’ contributes greatly to motivation and job satisfaction (rate of 8.6 out of 10 – Appendix 17), but they refer additionally to ‘career opportunities’ (rate of 8.4 out of 10 – Appendix 17) instead of ‘employee relations’. Contrarily, founders think that what contributes the least to the level of motivation and satisfaction of employees is ‘compensation’ (rate of 7.0 out of 10 – Appendix 16), while employees think it is ‘performance evaluation’ and ‘recruitment and selection’ (rate of 6.2 out of 10 – Appendix 17). Equally important, employees tend to differentiate much more between factors that contribute to their levels of motivation and job satisfaction than founders (difference of 2.4 opposed to 1.2 – Appendices 16 & 17), which tend to think that all factors contribute in a homogeneous way.

According to both founders and employees, start-ups are especially well ranked in what concerns 'employee relations' (rate of 9.0 out of 10 – Appendix 16, rate of 8.4 out of 10 – Appendix 17) and 'tasks & objectives' (rate of 8.6 out of 10 – Appendix 16, rate of 8.2 out of 10 – Appendix 17), and much less well ranked in 'performance evaluation systems' (rate of 6.4 out of 10 – Appendix 16, rate of 4.8 out of 10 – Appendix 17). Not surprisingly, employees tend to differentiate more on how the company is doing between different HR practices than founders do (difference of 3.6 opposed to 2.6 – Appendices 16 & 17), and they also tend to give lower rates to the implemented HR practices (average of 6.9 opposed to 7.6 – Appendices 16 & 17).

In general, there is no perfect match between what each employee thinks that motivates and satisfies him, and what he finds the start-up to be good at (no more than 6 HR practices out of 9 considered as motivation drivers well-ranked in the company, and the mode is 3 out of 9, – Appendix 15). This mismatch can be a consequence of founders and employees having different thoughts on motivation factors and HR practices. Founders tend to think that all HR practices positively impact employees' motivation and job satisfaction in the same way. Therefore, they become less capable of identifying which HR practices would be worth investing in. Employees are more critical than founders. They clearly differentiate between HR practices that contribute more and less to their motivation and job satisfaction, and they are more demanding when rating implemented HR practices. This mismatch can be one of the reasons why employees argue there is still room for improvement despite the fact that they think that levels of motivation, productivity and job satisfaction are high.

Overall, the results discussed above are in line with the research presented in the reviewed literature. As a matter of fact, results substantiate that start-ups can grow at very high rates and employees can be motivated, satisfied and productive, without a perfect match between what employees find motivating and satisfying, and the implemented HR aspects. Consequently, four arguments can be made regarding the strategic role of HRM – (1) HRM is strategic because even though the number of matches is low, there is a match on the most relevant motivation and job satisfaction drivers, (2) HRM is strategic but it contributes to organisational performance through a process different from the one highlighted in the reviewed literature, (3) HRM is not strategic because other factors drive motivation and job satisfaction, and (4) HRM is not strategic because other factors positively impact organisational performance.

5.2.4. Perceptions on Human Resource Management

During the conducted interviews and surveys, it became clear that sometimes founders and employees do not hold the same positions and opinions on implemented HRM.

Firstly, there is no general agreement between founders and employees of the same start-up on the mission of HRM. In the same start-up, the founder can state that “there are no big HR procedures or HRM commitment”, while the employee can simply defend that the start-up tries to “have an HRM that positively impacts motivation”. But the opposite can also be observed - in the same start-up, the founder can argue that there is “no way you can avoid thinking about the motivation of your employees”, while the employee simple believes that there is “no strategic plan” behind implemented HR practices.

Secondly, there is no general agreement between founders and employees of the same start-up on how the company rates in different HR aspects (no more than 5 HR aspects out of 9 were well-ranked by both founders and employees, and the mode is 2 out of 9, – Appendix 15). For instance, in one start-up, the founder gave a very good rate to ‘working conditions’, while the employee believes that ‘working conditions’ are not that good. But at the same time, contrarily to the founder, the employee believes that there is a ‘competitive compensation’.

Nevertheless, founders and employees of the same start-up tend to agree on the levels of motivation, job satisfaction and productivity of staff, and on the need to improve those very same levels. No comparison was made between founder and employee’s opinion on the HR aspects that motivate and satisfy employees, since no agreement between those opinions was expected. It would be extremely surprising if a founder had exactly the same considerations as one of its employees on such a personal topic such as motivation and satisfaction drivers of employees.

Overall, implemented HRM is not perceived in the same way by founders and employees. This difference in perception goes in line with research already developed on the topic. According to Grenny and Maxfield (2016), there is a gap between what managers say they want their company culture to be and what employees say is really valued by these same bosses, which is evidence that founders and employees can have different views on the same issues. Nonetheless, one cannot say that there is a complete disagreement between both parties.

5.2.5. Summary

5.2.5.1. Relevant Findings

This subchapter represents a short summary of relevant findings described during the Discussion subchapter. These findings are presented along with their evidence from research (through quotations and statistics) and link to the reviewed literature (Figure 4).

Findings	Research evidence	Link to reviewed literature
1. Start-ups refer exclusively or complementarily to team/people when asked about their growth accelerators, even when the HRM mission was not considered strategic.	<p>“I think that the reason why we are growing so much is our team”.</p> <p>“Adaptable, eager to learn and flexible people are the reasons why small businesses prosper”.</p>	Team/people is more important to start-up growth than expected.
2. Start-ups refer to growth accelerators such as idea, marketing and timing.	<p>“Our success is a consequence of an innovative product and our investment in client relationships”.</p> <p>“Contributors to our success have been – (1) our selling capabilities, (2) our delivery standards and (3) the first mover advantage”.</p>	These are the most common growth accelerators.
3. Employees are responsible for hiring people for their own departments/teams.	<p>“Employees participate in the recruitment process related to their area of work”.</p> <p>“I am involved in recruitment when we hire someone that is going to work with me in the same area”.</p>	This procedure allows the recruitment of a more functional and synchronised workforce.
4. The priority in recruitment is fit with the company , since hard skills can be learned on the job.	<p>“It is essential that the person to be hired has fit with the company and shares the same vision”.</p> <p>“Frequently, we hire people that do not have the right hard skills but that learn fast”.</p>	This procedure allows for a better fit between employees’ personality and business, but it may endanger the principle that employees feel more recognised when they work with skilled people that have the appropriate competencies.
5. Performance evaluation is mostly done through direct and timely feedback .	<p>“We work with continuous and constant feedback”.</p> <p>“Our environment is very familiar meaning that we give timely feedback and on the job”.</p>	This procedure is based on actual results evaluation, but it does not use any of the most common tools, such as appraisal interviews and 360 feedback. But informal feedback can contribute to a better job design.
6. There are flexible entering and leaving hours as well as vacations.	“We have a formal schedule that is open to changes according to the needs	These procedures foster better employee relations and a proper work-

There are policies for remote work.	of each employee”. “Employees can choose their vacations freely without any sort of season restriction”. “We have policies for remote work and travelling”.	life balance.
7. Employees are expected to meet objectives independently of how they organise their own time.	“The only priority is to get things done by the end of the day”. “Our employees are responsible for having the work done by the end of a certain period”.	This procedure goes in line with the existence of flexible working conditions and an evaluation based on actual results. It is also evidence that start-ups use the setting goals approach, and value autonomy in job design.
8. There is transparency and collaboration in decision-making processes and compensation.	“There is total transparency in terms of salaries”. “There is a lot of freedom for employees to get involved in managerial decisions”.	This procedure goes in line with the existence of healthy employee relations, since justice in decision-making and employees’ voice are valued.
9. Jobs are designed to have relevant and impactful tasks.	“Every task has meaning”. “Jobs should be designed such that people feel that they have a mission”.	This procedure goes in line with the existence of task significance in job design.
10. Employees are expected to learn by themselves.	“People are expected to have some professional experience, and if not, people are expected to learn by themselves and on the job”. “We have been growing so much that we don’t have enough resources and time to allocate to training”.	There are no appropriate employee development initiatives, which would not be expected since hard skills are not the focus of recruitment.
11. There is usually a fixed salary that progresses according to the level of responsibility and no tendency to have a variable salary component.	“Usually, a higher salary means that you have more responsibilities”. “There is no variable component of salaries”.	These procedures are not aligned with the recommended incentives schemes.
12. There is usually no HR person or department. If it exists, that person is responsible for administrative work .	“No one is responsible for HRM only”. “The HR person has mainly an administrative role, taking care of everything that is more bureaucratic and related to compliance with the law”.	<i>(not commented on the reviewed literature)</i>
13. Founders lead almost all the HR initiatives.	“HRM decisions are made at the founders’ level”. “I would say that 1/3 of founders’ time is dedicated to HRM”.	This goes in line with the principle that founders have a lot of influence in the business.
14. Employee turnover is high but considered healthy up to a certain point.	“We have been having high levels of turnover”. “Turnover is something healthy that	<i>(not commented on the reviewed literature)</i>

	reflects the business cycle of the company”.	
15. Start-ups have less bureaucracy and allow for a better progression in salary and responsibility than well-established companies. Tasks are more relevant in start-ups than in well-established companies, even though they are also less specific.	<p>“Big organisations use bureaucracy and rules to avoid losing control”.</p> <p>“And you grow a lot more, not only in terms of salary but also in terms of accountability”.</p> <p>“You have to work on much less specific tasks since you are no longer a small piece of a puzzle”.</p> <p>“In start-ups you know that you are really needed”.</p>	These procedures go in line with the description of the organisational culture of start-ups as a growth accelerator and with the existence of appropriate job design.
16. Employees are motivated, satisfied and productive , even though motivation and job satisfaction can still be improved.	No rate below 6.5 out of 10. Most frequent answers were “definitely yes” and “probably yes”.	This goes in line with the principle behind Maslow’s Hierarchy of Needs – individuals are always trying to meet their next level needs.
17. Training/development is considered a great motivation and job satisfaction driver by both founders and employees, but is one of the HR areas less put to practice by start-ups.	Rates of 8.4 (founders) and 8.6 (employees) out of 10. Only implemented in 3 start-ups out of 5.	This reinforces the point that employee development is a relevant HR practice.
18. Employees consider that recruitment and selection is not very relevant as a motivation and job satisfaction driver, but is one of the HR areas most put to practice by start-ups.	Rate of 6.2 out of 10. Implemented in all start-ups.	Recruitment and selection is not considered relevant because current practices are not aligned with the search for skilled individuals.
19. Start-ups are found to be good at HR aspects such as employee relations and job design .	Rates of 9.0 and 8.6 out of 10 (founders). Rates of 8.4 and 8.2 out of 10 (employees).	Indeed, these practices are in general well implemented in start-ups.

Figure 4 – Research relevant findings

5.2.5.2. Role of Human Resource Management in Growing Start-ups

HRM can have several missions across start-ups, from strategic to non-strategic at all. HR practices implemented in start-ups focus on recruitment and selection, performance evaluation, working conditions, employee relations and job design. Nevertheless, not all start-ups implement the same HR practices and some implement a greater number than others. The best explanations for the observed differences in HRM mission and areas tend to be related to staff size, funding source and founder’s job experience. Furthermore, implemented HRM is not perceived in the same way by founders and employees. From differences in mission to

differences in ranking of the company's HR aspects, founders and employees have in general different points-of-view.

If some of the answers to the research questions are analysed together, it is possible to say that start-ups that claim having a strategic mission for HRM tend to implement the largest number of HRM areas. Notwithstanding, these start-ups tend to have a low number of well-ranked implemented HR aspects matching the motivation and job satisfaction drivers of employees. The opposite can be observed in start-ups that claim having a non-strategic mission for HRM and that simultaneously have the lowest number of implemented HRM areas (Appendix 19).

The fact that start-ups with more employees and raising venture capital have a strategic mission for HRM and implement a large number of HRM areas is not surprising. After all, HRM is expected to be more of a concern once start-ups become more complex and are pushed to show good results to external investors. What is surprising is the fact that these start-ups are also the ones that, regardless of good organisational performance and high level of employee motivation, do not match employees' needs. Hence, this dissertation opens up the possibility that employees may feel motivated and satisfied due to intrinsic motivators (e.g. personal interest) and individual characteristics (e.g. age, gender) not influenced by the implemented HR practices, and/or that organisational performance may be led by start-up growth accelerator other than HRM. If this is the case, HRM may not have a strategic role in the start-up. This means that there are start-ups with a strategic mission for HRM in which HRM may not be strategic. The contrary is also possible – unintentionally HRM may become strategic for a start-up.

According to this, it can be concluded that HRM can have several roles in growing start-ups. From strategic to non-strategic at all, many roles of HRM may fall in between the two extreme positions. The only thing that is certain is that a growing start-up is not required to have a strategic HRM in order to succeed. Moreover, start-ups may argue that their HRM has a strategic mission, but this intention may not translate itself into a real strategic role. Furthermore, implementing a large number of HRM areas is not the same as implementing good quality HRM practices that are desired by employees. In general, these misconceptions reflect the differences in perception found across founders and employees - founders are many times out-of-touch with the day-to-day experience of employees.

6. Dissertation Limitations

This dissertation has some limitations. Firstly, there are limitations concerning the population of study. The number of interviewed and surveyed start-ups was only five and the number of participants was just two per start-up. Due to time constraints and/or confidentiality reasons, many start-ups did not want to participate in the study. Moreover, in each start-up, employees say that they are very busy and do not have time to participate in interviews and fill in surveys. Therefore, the size of the sample makes it impossible to come up with significant results and generalised conclusions for other contexts besides the ones under study. Moreover, results and conclusions had to rely more on information provided by specific individuals rather than by an average of individual inputs.

Secondly, there are limitations concerning the complexity and broadness of the chosen topic. It is always challenging to assess topics related to HRM. This area of study is subject to many interdependencies, meaning that there is a dense network of cause-effect relationships that makes it problematic to come up with specific and narrowed conclusions. Therefore, this dissertation was required to focus on the most significant findings, meaning that the potential of some information rests unexplored.

Finally, there are limitations concerning the focus of this research. This dissertation gives emphasis to the role of HRM in growing start-ups. Consequently, this analysis does not allow one to make conclusions regarding the role of HRM in less successful start-ups, meaning that no general conclusion can be made regarding the role of HRM in start-ups, regardless of their performance.

7. Conclusions & Future Research

This dissertation leads to the conclusion that HRM can have several roles in growing start-ups. From strategic to non-strategic at all, many roles of HRM may fall in between the two extreme positions. Additionally, there is no evident relationship between mission and number of implemented HRM areas, and the role of HRM in the start-up. These analyses shed some light on the relationship between HRM and entrepreneurship, especially because they allow one to conclude that a growing start-up is not required to have a strategic HRM in order to succeed.

The ambiguous role of HRM in growing start-ups seems to reflect the unproven business model of start-ups. In fact, HRM is not pro-active, meaning that it adapts to the needs and changes of the surrounding environment, following a trial and error approach. The

heterogeneity and uncertainty of these results go in line with the principles that HRM is contingent and that each start-up has its unique model of growth.

Even though there are some limitations to this dissertation, the conclusions presented above still open up new branches of investigation. For instance, in the future, it would be relevant to analyse if HRM has a different role across start-ups with different growth rates. This would require the analysis of a sample of successful and less successful start-ups and their HR practices. Through this investigation, it would be possible to understand the role of HRM in start-up growth. Another future investigation could be a narrower examination of the HR practices implemented across start-ups. For example, during this dissertation, some relevant differences in performance evaluation practices across start-ups emerged. Thus, it would be interesting to achieve a more sophisticated understanding of the reasons behind such differences.

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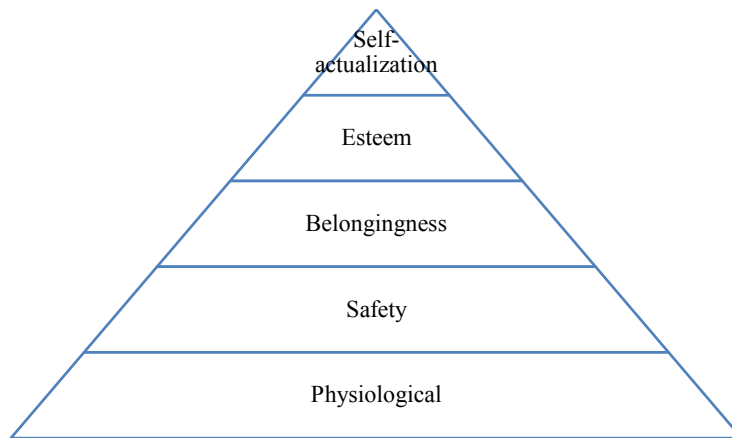
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Appendices

Appendix 1 – Maslow’s Hierarchy of Needs

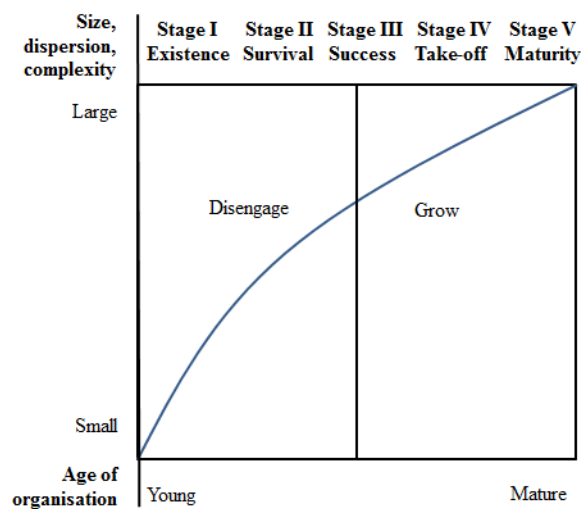


Appendix 2 – Herzberg’s Two Factor Theory






Hygiene Factors	Motivating Factors
- Company policies	- Achievement
- Supervision	- Recognition
- Employee relations	- Rewarding
- Compensation	- Responsibility
- Job security	- Personal growth

High Job Dissatisfaction 0 Job Satisfaction High

Appendix 3 – Start-up growth stages



Appendix 4 – Details of start-ups

	Product/ Service	Staff Size	Revenue (€) (2016)	Revenue Growth Rate (2015/2016)	Age (complete years)	Geographic Presence	Funding
	Agricultural Equipment	20	1.9M	-	1	Portugal, Poland, Romania	F ²
	Recruitment Agency Platform	50	920K	220%	1	Portugal, Spain, UK, Germany	VC ³
	Booking Guide Platform	3	150K	225%	3	Portugal	F
	Irrigation Technology	10	200K	-	1	Portugal	F
	Service Guide Platform	15	Conf ⁴	100%	4	Portugal, Spain	CF ⁵

Information provided at the time of the interview

Appendix 5 – Complementary interview topics

Facilities & Work Conditions	Training & Development	Retention & Employee Turnover
Organisational Culture	Performance Appraisal & Rewarding	Recruitment & Selection
Career Progression	Job Design	Decision-Making Processes

² Founders' savings

³ Venture capital

⁴ Confidential

⁵ Internal cash-flows

Appendix 6 – Interview guideline for founders

Personal Overview

- What is your education level? In which area?
- What were your previous job experiences?

Company Overview

- For how long is the company making business?
- How has the company been funding its operations in the last few years?
- What is the geographical area of operations?
- How many people work for the company?
- Which are the company main competitors?
- How is the company structured (e.g. departments)?
- What was the revenue size in 2016?
- What was the growth rate from 2015 to 2016? Would you say it is below, above or in line with the average growth of competitors?

HRM Mission

- Do you find crucial for the company to have HR practices? Why? Why not?
- What is the mission of the implemented HR practices? What do you think is the objective of the implemented HR practices?
- What do you think are the main reasons behind your company success? Why so?
- Do you think that HR practices relate to the success of the company? Why? Why not?

HRM Overview

- What are the implemented HR practices?
- How do people involved in HR practices coordinate between each other?
- What do you think could be improved in implemented HRM?
- What are in your opinion the main differences between the way people work in a start-up and in a well-established company?

This guideline was subject to changes every time it was found suitable during conducted interviews

Appendix 7 – Interview guideline for employees

Job Overview

- What is your job/responsibility?
- For how long have you been with the company?
- What is your perception of company growth taking into account the average growth of competitors?
- Do you have any HR role? If yes, which one?

HRM Mission

- What do you perceive to be the mission of the implemented HR practices? What do you think is the objective of the implemented HR practices?
- What do you think are the main reasons behind company success? Why so?
- Do you think that HR practices relate to the success of the company? Why? Why not?


HRM Overview


- How do implemented HR practices impact your performance at job?
- What do you think could be improved in implemented HRM?
- What are in your opinion the main differences between working in a start-up and in a well-established company?


This guideline was subject to changes every time it was found suitable during conducted interviews

Appendix 8 – Online survey for founders

1. Please rate the following aspects from 1 to 10 according to your perception (being 1 the lowest rate and 10 the highest rate).

Motivation of your workers at work 

Productivity of your workers at work 

Job satisfaction of your workers 

2. Do you think that the level of motivation of your workers at work could be improved?

- Definitely yes
- Probably yes
- Might or might not
- Probably not
- Definitely not

3. Do you think that the level of job satisfaction of your workers could be improved?

- Definitely yes
- Probably yes
- Might or might not
- Probably not
- Definitely not

4. Please rate the following aspects according to the PERCEIVED CONTRIBUTION they have to the level of motivation and job satisfaction of your workers (being 1 the lowest rate and 10 the highest rate).

Compensation/Pay	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Career Opportunities	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Training/Development	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Performance Evaluation	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Employee Relations	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Job Design	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Organisational Structure	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Working Conditions	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Recruitment & Selection	★ ★ ★ ★ ★ ★ ★ ★ ★ ★

5. Please rate YOUR COMPANY on the following aspects (being 1 the lowest rate and 10 the highest rate).

Competitive Compensation	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Career Opportunities	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Training/Development	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Performance Evaluation System	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Employee Relations	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Tasks & Objectives	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Organisational Structure	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Working Conditions	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Recruitment & Selection Techniques	★ ★ ★ ★ ★ ★ ★ ★ ★ ★

Appendix 9 – Online survey for employees

1. Please rate the following aspects from 1 to 10 (being 1 the lowest rate and 10 the highest rate).

Your motivation at work	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Motivation of your co-workers at work	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Your productivity at work	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Productivity of your co-workers at work	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Your job satisfaction	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Job satisfaction of your co-workers	★ ★ ★ ★ ★ ★ ★ ★ ★ ★

2. Do you think that your level of motivation at work could be improved?

- Definitely yes
- Probably yes
- Might or might not
- Probably not
- Definitely not

3. Do you think that your level of job satisfaction could be improved?

- Definitely yes
- Probably yes
- Might or might not
- Probably not
- Definitely not

4. Please rate the following aspects according to the contribution they have to YOUR LEVEL OF motivation and job satisfaction (being 1 the lowest rate and 10 the highest rate).

Compensation/Pay	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Career Opportunities	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Training/Development	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Performance Evaluation	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Employee Relations	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Job Design	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Organisational Structure	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Working Conditions	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Recruitment & Selection	★ ★ ★ ★ ★ ★ ★ ★ ★ ★

5. Please rate the COMPANY you work for on the following aspects (being 1 the lowest rate and 10 the highest rate).

Competitive Compensation	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Career Opportunities	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Training/Development	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Performance Evaluation System	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Employee Relations	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Tasks & Objectives	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Organisational Structure	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Working Conditions	★ ★ ★ ★ ★ ★ ★ ★ ★ ★
Recruitment & Selection Techniques	★ ★ ★ ★ ★ ★ ★ ★ ★ ★

Appendix 10 – Details of interviewees

	Company	Job Position	Tenure (complete years)	Interview Date	Contact Details
Ricardo Henriques	Agrikolage	Co-founder	1	20/01/17	ricardo.henriques@agrikolage.com
Hipólito Pereira	Agrikolage	Accountant	0	01/02/17	hipolito.pereira@agrikolage.com
Pedro Oliveira	Landing.jobs	Co-founder	1	23/12/16	pedro.oliveira@landing.jobs
Diogo Oliveira	Landing.jobs	Sales Manager	0	12/01/17	diogo@landing.jobs
Bo Irik	Sea Bookings	Co-founder	3	23/12/16	boirik88@gmail.com
Fábio Neves	Sea Bookings	Programmer	0	21/03/17	fabio@seasbookings.com
Sara Gonçalves	Trigger Systems	Co-founder	1	11/01/17	sara.goncalves@trigger.systems
Márcio Martins	Trigger Systems	Programmer	1	31/01/17	marcio.af.martins@gmail.com
Luís Martins	Zaask	Founder	4	21/12/16	lmartins@zaask.com
Andreia Pires	Zaask	Planning & Control	0	16/12/16	andreia.pires@zaask.com

Information provided at the time of the interview

Appendix 11 – Details of founders

	Company	Education Level	Education Area	Previous Job Experience
Ricardo Henriques	Agrikolage	MBA	Management	Hotel Management
Pedro Oliveira	Landing jobs	Master	Computer Engineering	Energy Company
Bo Irik	Sea Bookings	Master	International Economics & Business	Start-up
Sara Gonçalves	Trigger Systems	Master	Computational Biology	Research Centre
Luís Martins	Zaask	MBA	Finance	Oil Company

Information provided at the time of the interview

Appendix 12 – Interview data structure

1 st Order Categories (concepts)	2 nd Order Categories (themes)
HRM Mission	
Transcription 1 (<i>job position/company</i>)	Theme 1
Transcription 2 (<i>job position/company</i>)	
...	Theme 2
HRM Overview	
Transcription 3 (<i>job position/company</i>)	Theme 3
Transcription 4 (<i>job position/company</i>)	
...	Theme 4
Others	
Transcription 5 (<i>job position/company</i>)	Theme 5
Transcription 6 (<i>job position/company</i>)	
...	Theme 6

Appendix 13 – Online survey data structure

Start-Ups	Questions	Founders' Answers	Employees' Answers
Agrikolage	Question 1		
	Question 2		
	Question 3		
	...		
Landing.jobs	Question 1		
	Question 2		
	Question 3		
	...		
Sea Bookings	Question 1		
	...		
Trigger Systems	Question 1		
	...		
Zaask	Question 1		
	...		

Appendix 14 – Interview results

1 st Order Categories (concepts)	2 nd Order Categories (themes)
<p style="text-align: center;">HRM Mission</p> <p>“There are no big HR procedures or HRM commitment in our start-up. Our focus is that HRM allows each employee to clearly understand what he has to do, to whom he needs to report and how he should relate to his colleagues.” - <i>(founder/Agrikolage)</i></p> <p>“When a team is small, it is essential that people are well coordinated and that company spirit is consolidated. When a team is small, you know that you have to rely much more on each individual. This is why we try to have an HRM that positively impacts motivation.” - <i>(employee/Agrikolage)</i></p> <p>“The mission of HRM comes out very naturally as something used to clearly impact the performance of employees, and consequently the performance of the company. There are many practices that are not formally written but that are put to practice. Besides, implemented practices change very fast according to the needs of employees. Practices today are not exactly the same they were in the beginning. Some practices have been eliminated and others were just recently created. They should entirely adapt to employees. The most important thing is that all implemented HR practices are used as culture drivers. These practices allow us to spread the spirit of the company and to use it as a natural filter of people.” - <i>(founder/Landing.jobs)</i></p> <p>“In my opinion, the purpose of our HR practices is to retain people and provide personal development. There is a great focus on the individual. Start-ups should be aware that individual performances make group ones. So if we want to succeed as a group, we better start caring about the individual. HRM has always been interpreted as a way to ensure better company performance.” - <i>(employee/Landing.jobs)</i></p> <p>“We don’t have a formal mission for HRM and our practices are very simple. Basically we just use some procedures to ensure that we develop the right level of trust within the team and that we have clear values. People commit more to the project when they feel that they are working in a place that as an identity.” - <i>(founder/Sea Bookings)</i></p> <p>“Our HR practices are quite irrelevant. I think that HRM will only have a strategic mission once we get bigger and no longer working under such a simple business model.” - <i>(employee/Sea Bookings)</i></p> <p>“HRM is something not very structured right now. Things are happening very fast in our business and even though we would like to dedicate more time to this human side of things, our daily deadlines and milestones force us to consider HRM as something more secondary.” - <i>(founder/Trigger Systems)</i></p>	<p style="text-align: center;">Variety of Missions</p>

“I would say that HRM is not our focus right now, even though I think that what we have been implementing is enough to keep employees aligned with the business goals.” -
(*employee/Trigger Systems*)

“Fewer employees usually require fewer procedures. However, in small environments, the individual impact of each employee is much bigger than in big ones. A good employee in a start-up is more impactful than one in a big company. These means that there is a clear positive relationship between a good team and good organisational results. No way can you avoid thinking about the motivation of your employees. Companies are the reflection of their people. Employees define the product and not the contrary. Employees are the ones reinventing companies and avoiding their death.” - (*founder/Zaask*)

“I don’t think it has a specific mission. HR practices have been driven by the needs of employees and of the company in general. I think there is no strategic planning behind it.” - (*employee/Zaask*)

Success Ambiguity

“Three main things are contributing to our success – (1) we have a brand that creates value to customers, (2) we differentiate from competitors and (3) we have a great team of people. Team is the most important contributor.” - (*founder/Agrikolage*)

“In my opinion, the company is growing as much as it is because (1) we have the right positioning in the market and (2) there is a strategic alignment between the team and our positioning. If the team was not aligned with what we want to do as a company, no way we could have come so far.” - (*employee/Agrikolage*)

“The reasons why we are growing so much are because of our team and the way we have built this company in a very natural and organic way. Our product without our people is not worthy. Products change all the time. Our product as it is today is very different from what it was when we started. People are the only reason why products become successful.” -
(*founder/Landing.jobs*)

“I think that the reason why we are growing so much is our team. The company wouldn’t be a success if it was not for the quality of the people attracted and retained as well as their ambition and dedication. Even if it is true that Landing.jobs is a high technological company, by the end of the day people are what really matters.” - (*employee/Landing.jobs*)

“Clearly our success results from two different things – (1) a product that has demand and that was needed in the market and (2) our online growth in terms of searching engines. I don’t think that HRM plays a role here. Our size and business model only requires that we do the minimum in order to promote a collaborative environment.” - (*founder/Sea Bookings*)

“Our success is a consequence of an innovative product and our investment in client relationships. Of course that without our specific team there would be no product/idea.” -

(employee/Sea Bookings)

“I would say that we have been succeeding because of two main reasons – (1) our team is great and (2) our product is really solving a problem.” - *(founder/Trigger Systems)*

“Contributors to our success have been – (1) our selling capabilities, (2) our delivery standards and (3) the first mover advantage. I think we benefit a lot from low competition and a seamless product. I don’t think HRM has been a big contributor to this. Of course that team building is essential, but I still think that there are very natural ways of tying people together.” - *(employee/Trigger Systems)*

“The only reason why Zaask is succeeding is because of our team. Adaptable, eager to learn and flexible people are the reasons why small businesses prosper. Investors always invest in the team, never in ideas, because they know that ideas are driven by good teams.” - *(founder/Zaask)*

“For me, the company is growing this much because we work with a data driven product, meaning that we can easily adapt to changes and foresee challenges. I don’t find HR practices very critical for growth. But I would also say that if HR practices were improved and more tied to the business, they could be a growth accelerator.” - *(employee/Zaask)*

HRM Overview

“Members of the Executive Commission are the ones responsible for recruitment according to their area of expertise. Nevertheless, the CEO has the final word on the recruitment process.” - *(founder/Agrikolage)*

“Employees participate in the recruitment process related to their area of work, even though less formally than senior people. I would say that seniors should continue to be in charge of the recruitment process. Their intervention is quite relevant when companies are these small and in its very beginning. They are the ones that help shaping the culture of the company.
(...)

Recruitment is focusing more now on culture and personality. It is essential that the person to be hired has fit with the company and shares the same vision. If there is no fit, people will leave the company sooner or later. The first best would be to hire people with both fit and proper hard skills. If this is not possible, the second best would be to hire someone with fit even if hard skills are not entirely there. Previous recruitment experiences have shown that fit is relevant.” - *(employee/Agrikolage)*

“Recruitment is an on-going process, led by the responsible of each department. Nevertheless, one person only gets hired if it has the final approval of founders. The critical aspect when selecting people is a match between the individual and the company. Sometimes, this match is very difficult to access in an interview, but once that person starts working in the company, you can definitely tell if that person is made to be there or not.” - *(founder/Landing.jobs)*

Recruitment Imperative

“The managers of each department are the ones responsible for recruitment. Our recruitment techniques want to attract talent and cultural fit. Soft skills and attitude are more relevant than hard skills. Technical competences can be learned on the job, but attitude cannot be taught. Only if we are looking for someone to come up with very good results in the short-run, we would look for hard skills mostly.” - *(employee/Landing jobs)*

“There is a need to hire more people next summer. The focus of our recruitment will not be in hard skills, even though we appreciate people that have a large language domain. Hard skills are easy to teach and you can learn them on the job. We look for cultural fit. We want someone that has entrepreneurial spirit and not necessarily someone that sticks to the contract.” - *(founder/Sea Bookings)*

“Once we will be hiring more people, I expect to take part in the interview process, especially if we are hiring for any technical job position. It makes sense to interview someone that will be working with you on the same problems and challenges. We would like to hire someone with both the hard and the soft skills, because we need someone that produces work with good quality. But at the same time personality matters. We need to hire someone that identifies himself with the culture of the company, has passion for what he does and wants to be a self-learner.” - *(employee/Sea Bookings)*

“Founders are in charge of recruitment decisions, but there is a general meeting with all employees when we are about to select someone. Dedication is the most valued thing when recruiting. Hard skills are also relevant but dedication is vital. We look for an entrepreneurial spirit and for someone that is keen on technology and environment. I would say that these are the minimum requirements.” - *(founder/Trigger Systems)*

“I am involved in recruitment when we hire someone that is going to work with me in the same area. Even though I do not have the final word, as founders have, I have a very active role. In general, recruitment is tricky. We try to find the least expensive people with the most experience. Frequently, we hire people that do not have the right hard skills but that learn fast.” - *(employee/Trigger Systems)*

“The biggest effort of our company in terms of HRM is on recruitment and selection. We hire people that usually do not have the necessary know-how, because in fact these people are very difficult to find in the marketplace. We believe that we can make people grow inside the team through training. I have an active role in recruitment but sometimes I leave the final word to the team responsible.” - *(founder/Zaask)*

“Recruitment is our core HR practice and it is conducted by department managers according their staff needs. Usually the CEO is also involved in this process.” - *(employee/Zaask)*

“Performance measurement is done informally. We work with continuous and constant feedback.” - *(founder/Agrikolage)*

Feedback Imperative

“There is no formal performance measurement system. We are provided with direct and timely feedback, since it is very easy to evaluate everyone and keep up with results in such a small environment. If we are to expand in the near future, I believe that we will need a more formal performance measurement system.” - *(employee/Agrikolage)*

“It is part of our evaluation of employees to have an employee of the month scheme. In order to evaluate people, we organise feedback meetings each quarter. This is an opportunity to involve everyone from the management, to team leaders and remaining employees. Even though, it is such an involving process, it is true that we do not use 360 feedback.” - *(founder/Landing.jobs)*

“Managers of each department evaluate the performance of their team members and they provide timely feedback. Feedback is essential for the company since it keeps employees involved and informed. The feedback we provide is not only about the present and the past, but it is also about the future. We want to find a match between what the person is working on right now and the professional long term ambitions of that person. Our feedback procedures resemble coaching and mentoring activities.” - *(employee/Landing.jobs)*

“There is no formal performance evaluation. In such a small company, there is no need to implement formal procedures like this. We constantly give feedback to each other and this is our way of assessing each other.” - *(employee/Sea Bookings)*

“Our environment is very familiar meaning that we give timely feedback and on the job. It is not common to evaluate employees in a different way other than this one. We have a lot of work every day, meaning that we don’t have enough resources and time to be allocated to a more formal evaluation system.” - *(founder/Trigger Systems)*

“There is no formal performance evaluation system. We only work with feedback on the moment.” - *(employee/Trigger Systems)*

“Formal feedback is provided at least every three months, but I wished the process would be more documented than it is now. This feedback session is held between me and the employee. Feedback is critical to retain people. If the employee is not aligned with the company in terms of performance and goals, it is the end of the relationship between company and employee.” - *(founder/Zaask)*

“We have feedback meetings with the CEO in which we talk about performance and future objectives. There is no formal performance evaluation, but there are objectives to be met. I find these meetings very important since recognition is one of the things that motivates me the most. Feedback also allows you to improve yourself since you always get recommendations.” - *(employee/Zaask)*

“We have offices and stores as facilities. In stores there is a fixed working schedule in order to comply with the law and serve clients properly. In our offices, we have a formal schedule that is open to changes according to the needs of each employee.” - *(founder/Agrikolage)*

Flexible Working Conditions

“I feel that there is a total flexibility in terms of working hours, both entering and leaving the office. Of course that people have to be sensible and conscious about this, in order to not become lazy and irresponsible. There is also the possibility of working from home, even though people tend to work in the office. We also have flexible vacations. Employees can choose their vacations freely without any sort of season restriction.” -

(employee/Agrikolage)

“We have policies for remote work and travelling. I am a complete advocate of remote working since I also work very often from London. But I agree that many times people are not prepared for this because it requires a lot of responsibility.” - *(founder/Landing.jobs)*

“We don’t have any physical space to work. We all work remotely and usually from different cities. There is a high flexibility in terms of schedules. The only priority is to get things done by the end of the day.” - *(founder/Sea Bookings)*

“There is no office location and remote work was actually one the reasons why I decided to join the start-up. This way of working gives you a lot of flexibility and it is one way to prepare the company for the future. I foresee that more companies will work like this in the next few years, benefitting from technological progress. I would say that this kind of operational model will continue even if we expand in terms of staff.” - *(employee/Sea Bookings)*

“We are very flexible in terms of working hours and working days. Our employees are responsible for having the work done by the end of a certain period, but the way they choose to organise their time is completely up to them. There are also some people that work from home, even though it is more common to work in the office.” - *(founder/Trigger Systems)*

“There is flexibility to work remotely, even though we all agree that people can be less productive when they are not working in the office. There is flexibility in working hours too.” - *(employee/Trigger Systems)*

“There is no official salary table. This means that it is not common for employees to know each other salaries.” - *(founder/Agrikolage)*

“There is more or less transparency in terms of salaries. Salaries are not disclosed in any kind of formal document, but the size of the company and the proximity between employees makes it clear for everyone what each person is earning by the end of the month.” - *(employee/Agrikolage)*

“Everyone knows each other salaries. We are very relaxed about this kind of information.” - *(founder/Trigger Systems)*

“There is total transparency in terms of salaries.” - *(employee/Trigger Systems)*

**Transparent
Environment**

Collaborative Environment

“We have a very collaborative environment. There is a lot of freedom for employees to get involved in managerial decisions.” - (*founder/Agrikolage*)

“I think that founders are very open to a sharing culture where the entire company seats together to talk, even about the most sensitive and strategic topics.” - (*employee/Agrikolage*)

“There is a very collaborative environment in our start-up. We welcome employees to give suggestions and we take them very seriously. To illustrate, some of the training initiatives were suggested by employees and we also have a Team Box Page, where employees can post their proposals.” - (*founder/Landing.jobs*)

“You have to promote at all times a family culture, this is the only way you can show that you care about employees. We have some team building activities every week because we came to the conclusion that they increase motivation amongst employees, and they help retaining people and increasing their performance at work. Sometimes we are so focused on our own tasks that we forget about the rest of the team. Team building activities are a constant reminder that we work in team and not individually. Team building is also promoted through the Landing Sessions.” - (*employee/Landing.jobs*)

“We always try to be very collaborative and reach a consensus. But I have autonomy to make decisions concerning my area of expertise. I am just required to report my decisions to my colleagues.” - (*employee/Sea Bookings*)

“We always try to keep track of employee satisfaction. Even though it is not a formal procedure, we ask employees about what is going well and less good, in order to try to find improvement points.” - (*founder/Trigger Systems*)

“I think that employees become more collaborative and participative along time. After a few months, employees are crucial to shape the mind-set of the company. As an opposite of our disorganisation, because it is true that we are much disorganised, I think that a collaborative spirit and a relaxing environment are the things that more positively contribute to my performance.” - (*employee/Trigger Systems*)

“There are some moments of team building like going out for drinks. These moments are very informal and relaxing.” - (*employee/Zaask*)

Sense-giving Imperative

“Employees must feel that what they are doing is relevant, otherwise it is impossible to motivate them.” - (*founder/Agrikolage*)

“Every day you feel that you have a real impact on something and that if you were about to miss one day at the office, the workflow would be seriously harmed”. - (*employee/Landing.jobs*)

“I think that what satisfies me the most in my job is feeling that I am creating something from scratch. It is incredible when you feel that you have real impact on something and that you are directly changing the life of others, even if it is just of one person.” - (*employee/Sea Bookings*)

“In start-ups, employees are given the power to make decisions. This makes them feel more relevant. Every task has meaning.” - (*founder/Trigger Systems*)

“Jobs should be designed such that people feel that they have a mission. Without a sense of purpose, employees feel meaningless. What motivates people is the sense that they have a real impact. Even the most stupid task can be performed with motivation if you explain to people why they are doing it and what are the consequences of that.” - (*founder/Zaask*)

“Knowing what you have to achieve and being able to measure your own results is essential. The reason why I feel satisfied about what I am doing is because I can feel that I am having a real impact on something.” - (*employee/Zaask*)

“There is continuous informal training provided by senior people of the Executive Commission. It is very common to hire people with no previous work experience. This is part of our aspiration to make people grow professionally.” - (*founder/Agrikolage*)

“There is a formal training programme for the sales team. Other employees are provided with informal training in which you are coached by someone senior. This kind of approach is very specific to each one of our individual needs and also more ‘on the job’. Across the company, training is more focused on hard than soft skills.” - (*employee/Agrikolage*)

“We have something called On-Boarding for initial training and we also have some team building activities, like team lunches every week. Other training initiatives include the Landing Sessions, in which internal or external speakers organise small conferences. These sessions are not mandatory since I think that you should give your employees the freedom to learn what they really want to learn.” - (*founder/Landing.jobs*)

“Development is critical even if it means that we are investing on someone that will actually grow more outside Landing.jobs than inside. Start-ups usually hire very young employees and this generation is completely knowledge-thirsty. Employees need to feel supported in their professional and personal growth. If employees feel that they are not learning, they will certainly leave the company. I can definitely say that training is one of the things I appreciate the most.” - (*employee/Landing.jobs*)

“There is no training. People are expected to have some professional experience, and if not, people are expected to learn by themselves and on the job.” - (*employee/Sea Bookings*)

“We don’t have any formal training programme right now. This is something that we definitely want to implement in the near future.” - (*founder/Trigger Systems*)

Discrepancies in Training

“There is no training. We have been growing so much that we don’t have enough resources and time to allocate to training. Nevertheless, it is my opinion that this is something we should invest in.” - (*employee/Trigger Systems*)

“We are provided with training and I think that this is quite motivating. It is good to know that the company is investing in you.” - (*employee/Zaask*)

“Only retail staff has a fixed and a variable salary.” (*founder/Agrikolage*)

“There are employees with only a fixed salary, while the sales team has a fixed and a variable component. The latter varies according to the accomplishment of certain pre-established objectives. Salary progression exists but there is no formal table. Progression is based on a case-by-case negotiation. For now, this progression system has been working, since people feel that they can be instantly recognised for their work and commitment, instead of being held back by a formal system.” - (*employee/Agrikolage*)

“Salaries can progress each year. This progression does not vary directly according to performance, since performance is formally evaluated each quarter. Usually, salaries progress according to the overall perception that we have about the work implemented by that individual.” - (*founder/Landing.jobs*)

“One of the things that motivates me the most is having a variable component of my salary directly related to performance. Employees appreciate recognition.” - (*employee/Landing.jobs*)

“Salary only has a fixed component which for me is not ideal.” - (*employee/Sea Bookings*)

“We have a fixed salary that is complemented with a profit sharing bonus. Of course that each fixed salary varies according to job position.” - (*founder/Trigger Systems*)

“Your salary progresses according to your outcomes and general satisfaction with your performance. It is a case-by-case negotiation process. Usually, a higher salary means that you have more responsibilities.” - (*employee/Trigger Systems*)

“There is no variable component of salaries since I find it very difficult to link performance and compensation. It is not clear to us the cause-effect relationships concerning the performance of our company, meaning that it is difficult to come up with the right KPIs for each employee. Nevertheless, different job positions are associated with a different fixed salary and employees can progress quite easily. Pay motivates no one. Pay keeps you not dissatisfied, meaning that it is just a hygiene factor.” - (*founder/Zaask*)

Discrepancies in Incentives

“Procedures are very strict in big organisations, even though being big does not require such

Start-ups Differentiate

amount of bureaucracy. Big organisations use bureaucracy and rules to avoid losing control. In start-ups, things are more dynamic and there is more room for progression (personally and professionally). There is a fast progression in salary and responsibility. In a small environment, management teams can more easily recognise talent and reward it, since managers work closer to their employees.” - *(founder/Agrikolage)*

“I would say that well-established companies have a more rigid structure, meaning that there are more procedures and job related tasks are more specific and focused.” - *(employee/Agrikolage)*

“One day in a start-up is quite different from one day in a big company. In one day at Landing.jobs you can do the same work you would do in a month at a big company. More things happen and you are asked to become more productive. At the same time, you also have less decision-making frictions, and there is more room for you to carry through an initiative.” - *(founder/Landing.jobs)*

“Start-ups are much more flexible than well-established companies. Start-ups are very flexible regarding working hours, vacation time and remote work. You also have more autonomy and responsibility. You feel that you are learning a lot every day and that you have a meaningful job. Things are also easier to implement, meaning that your ideas really have added-value. And you grow a lot more, not only in terms of salary but also in terms of accountability. Of course that there are some downsides too. I would say that in start-ups, you start by earning less than in big companies, even though your salary progresses fast if you are doing a good job.” *(employee/Landing.jobs)*

“I would say that things happen much faster in start-ups than in big companies. This is why start-ups need to stay so flexible all the time. The business we do today may change tomorrow.” - *(founder/Sea Bookings)*

“In a start-up, everything is more intense. Besides, you don't have a structure supporting your job. You are required to learn something new every day and to do a little bit of everything, even if it is not part of your job description. You have to work on much less specific tasks since you are no longer a small piece of a puzzle. You can really measure the impact of your job.” - *(employee/Sea Bookings)*

“In big organisations, you have a lot of bureaucracy, meaning that it always takes a lot of time to get things done. Moreover, every time you come up with a project/idea, you need to collect many opinions and approvals before deciding on it and launching it. You don't have any sort of power.” - *(founder/Trigger Systems)*

“In big companies, there is a detailed organisation and standard procedures for everything. This is very different from start-ups. Start-ups are loose environments with few or no bureaucracy at all. You can make a relevant decision in one day instead of 3 months. In big companies, bureaucracy is a form of culture. There is a big interest in making informed decisions in well-established companies, in order to be protected and avoid accountability

issues. If things go wrong you can just say that clearly the best decision was made at that moment, so something else went wrong. Bureaucracy is not related to size, it is related to culture. I believe that companies can be big and not bureaucratic.” - (*employee/Trigger Systems*)

“Big corporations will always have a big problem – employees feel that their work and effort change nothing. There is this perception that the company is too big to assimilate your work and that you will always be a tiny fish in a big bowl.” - (*founder/Zaask*)

“The impact that your work has in a start-up is completely different from the one it has on a big company. In start-ups you know that you are really needed.” - (*employee/Zaask*)

Variety of Structures

“We are organised in two main areas – Executive Commission and operations. Different teams work for operations and they are organised in a very horizontal way. No one is responsible for HRM only.” - (*founder/Agrikolage*)

“We have an Executive Commission that is responsible for the majority of HRM decisions”.
- (*employee/Agrikolage*)

“We are basically divided in three teams, apart from management and one person that takes care of HR procedures. These teams are Sales, Operations and Marketing. The HR person has mainly an administrative role, taking care of everything that is more bureaucratic and related to compliance with the law. However, she also has an active role in shaping other HR practices such as employee development.” - (*founder/Landing.jobs*)

“There is one person responsible for HRM inside the company. This person is responsible for keeping track of who is missing, pay checks, law compliance and other bureaucracies. This person works side by side with founders.” - (*employee/Landing.jobs*)

“We have two founders working side by side on operational tasks like marketing, public relations and operators/tourists relations. And there is also a programmer that works full-time.” - (*founder/Sea Bookings*)

“Administrative HR procedures (like pay checks) are taken care by the founders.” - (*employee/Sea Bookings*)

“We work with two main departments - (1) commercial and (2) product development. HRM decisions are made at the founders’ level but with a lot of transparency and openness.” - (*founder/Trigger Systems*)

“Each employee is responsible for some HR tasks that in a big company would be the responsibility of an HR department, like filing transportation expenses. All other HR practices are under the control of founders”. - (*employee/Trigger Systems*)

“I would say that 1/3 of founders’ time is dedicated to HRM.” - *(founder/Zaask)*

“We have three main departments – (1) operations, (2) marketing and (3) technical.” -
(employee/Zaask)

Better Future

“I think that in the near future, we will have more time to consolidate things and come up with more solid ideas. Recruitment and selection is one of the areas in which we want to do a better job.” - *(founder/Agrikolage)*

“In the future, I hope we could be more organised in order to sustain a better way of growing.” - *(employee/Agrikolage)*

“I think we could improve our working conditions in terms of facilities. They don’t entirely match our spirit. Besides this, I think that we need more tools to help people building up their careers, even if that means that one person will leave the company. We could also improve team building and bring up more conversations about the culture of the company. Finally, I would say that it would be nice to have more interaction between the different departments. Sometimes each person is so focused on its own tasks that they forget about the others and the big picture.” - *(founder/Landing.jobs)*

“I think that there are not huge things to be improved as long as employees are still highly involved in the business. I think that we can professionalise some practices, but nothing that we have not already started doing.” - *(employee/Landing.jobs)*

“What we have built so far works for us. Maybe only in the future it makes sense to improve every practice.” - *(founder/Sea Bookings)*

“According to our size and business model, I would say that we are doing well like this. I don’t have relevant improvement points to be suggested. Maybe one thing that could be done differently would be to reorganise tasks such that each one of us could do more of what we really like to do.” - *(employee/Sea Bookings)*

“I think that training is definitely one of the things that we need to improve, and we are already focusing on this and developing a programme.” - *(founder/Trigger Systems)*

“I would say that training could be improved. It’s a shame that we have not worked on that so far.” - *(employee/Trigger Systems)*

“I would like to improve aspects concerning performance evaluation.” - *(founder/Zaask)*

“I would suggest having a clear retention strategy. I think that one of the reasons why people are leaving is because they feel that they are not rewarded by their effort. This happens because there is no link between salary and performance. People perceive this as being unfair - they can work more than others and earn the same.” - *(employee/Zaask)*

Others

Turnover Concerns

“Our first months were a challenge in terms of recruitment. Many people left the company during that period. People that left didn’t have the fit and the required technical skills. We expect future turnover to be lower since we are more focused in good recruitment techniques.” - *(founder/Agrikolage)*

“We have been having high levels of turnover, but I think that this was a consequence of some strategic moves of the company. Some employees left being our employees in order to become external distributors of the company. Nevertheless, the core team is essentially the same since the beginning. I think that a high level of turnover is not healthy because it makes it more difficult to consolidate the team and build rapport. Besides the fact that finding the right substitutes is always difficult. - *(employee/Agrikolage)*

“For me, turnover is something healthy that reflects the business cycle of the company, and it should not be fight back as some people may suggest. Turnover among employees is something natural and the important thing is that founders stick around. My only concern is that every person that goes through Landing.jobs feels that it was a valuable job experience. All the rest is not my concern. It is not my job to manage the career of my employees. I am only responsible for their progression as long as they are working for me. And of course that there is a substitute for everyone, even for founders - talent is just out there.” - *(founder/Landing.jobs)*

“Employee turnover exists and I think it is a problem of our generation. People look for comfort and for easy things. There is a tendency to always try to skip the hardest things in our lives and just quit. It is the same in a start-up when employees feel that the job is less exciting or challenging, or actually more difficult than before. Employees just quit and move to something else. The high level of competition between start-ups doesn’t help in this sense. Start-ups just hire from each other and employees know it. I would say that a turnover up to 25% per year is healthy, as a way to avoid biases and conformism. All companies need some fresh thinkers from time to time. But a turnover higher than this is crazy. Companies are investing a lot of time and money in training, and when the employee is finally paying off that effort, he decides to leave. I would also say that losing people in certain job positions is more critical than in others. Losing people that have been with the company for a long period is definitely bad. These are usually the individuals that know more about the company which makes it hard to substitute them. Losing people that have a very technical job is also critical. They have too much implicit knowledge and if they are not working, the company just becomes paralysed. Retention is a priority for us in the coming years since our turnover is higher than desired.” - *(employee/Landing.jobs)*

“I think that employee turnover is not healthy at all, especially in what concerns founders. You lose a lot of time and resources every time there is turnover. Stability should be more appreciated inside companies.” - *(founder/Trigger Systems)*

“Turnover has been extremely high, around 60%. For many of our employees this was their

first job experience and most of the times they were not ready for the dynamic of a start-up and the learn-by-yourself spirit. However, it is important to say that the ones that stayed are the most loyal employees I have ever met. Turnover is always expected and it is something natural, but when it is so high we also have to ask ourselves ‘why’.” - (*employee/Trigger Systems*)

“Unfortunately, I don’t feel there is a great concern in retaining people. But I would say that this should be one thing to pay attention to. If people that work in the company since the beginning decide to leave, they will take with them a lot of implicit knowledge that will be quite difficult to find elsewhere. And it is curious that usually one person does not leave the company alone, it is very common to witness more than one person leaving the company together.” - (*employee/Zaask*)

“In the early years of a start-up, founders are very important for the company. As time goes by, start-ups become less dependent on their founders. And this is a very positive sign. It means that start-ups become proficient in attracting talented people capable of leading the way.” - (*founder/Agrikolage*)

“Founders have a critical role because the culture of the company starts with them. But soon, culture progresses across the rest of the company and employees get as involved as founders.” - (*founder/Landing.jobs*)

“Founders influence the way start-ups work. For founders, the project is their ‘baby’ and they have a high level of commitment. There is an extra motivation when you are working on your ideas and you are building something from scratch.” - (*founder/Sea Bookings*)

“We have been growing a lot, much more than what was initially expected”. - (*founder/Agrikolage*)

“Revenue growth was more than originally expected, so I would say that we are growing at a very high rate. Nevertheless, for the future, I think that we will not necessarily grow more, but instead we will grow better, in a healthier way.”- (*employee/Agrikolage*)

“Our company has been growing a lot, not only because the market has been growing but also because we are stealing market share from our competitors.” - (*founder/Landing.jobs*)

“We are growing much more than our competitors as it would be expected. Our business growth stage and our type of financing clearly explain why we are growing at such a high rate. Every time we have a new round of financing, we have more resources and at the same time we are pressured by our investors to meet the promised growth.” - (*employee/Landing.jobs*)

“Our growth rate is higher than the one of competitors as it would be expected, since we are competing mostly against big companies.” - (*founder/Sea Bookings*)

Founders Vanish

High Growth

“Our start-up is growing much more than expected and in a constant way over time.” -
(*employee/Sea Bookings*)

“We are definitely growing more than expected.” – (*founder/Trigger Systems*)

“Growth has been above expectations. Things are happening very fast.” - (*employee/Trigger Systems*)

“We are growing at a very good pace even though we are reaching a level of business maturity” - (*founder/Zaask*)

“Right now, we are growing less than competitors since we are more mature. Our competitors are still very young.” - (*employee/Zaask*)

Appendix 15 – Online survey results

Start-Ups	Questions	Founders' Answers	Employees' Answers	\Delta
Agrikolage	Question 1			
	Motivation	8	8.5*	0.5
	Productivity	8	8.0*	0.0
	Job Satisfaction	8	7.5*	0.5
	Question 2	Definitely Yes	Probably Yes	-
	Question 3	Probably Yes	Probably Yes	-
	Question 4			
	Compensation/Pay	7	6	
	Career Opportunities	8	7	
	Training/Development	7	9	
	Performance Evaluation	8	6	
	Employee Relations	9	4	-
	Job Design	7	3	
	Organisational Structure	8	5	
	Working Conditions	9	3	
	Recruitment & Selection	8	3	
	<i>Average</i>	7.9	5.1	-
	Question 5			
	Competitive Compensation	8	5	
	Career Opportunities	9	6	
Training/Development	7	4		
Performance Evaluation System	8	5		
Employee Relations	8	9	-	
Tasks & Objectives	8	7		
Organisational Structure	8	6		
Working Conditions	9	6		
Recruitment & Selection Techniques	7	5		
<i>Average</i>	8.0	5.9	-	
Landing.jobs	Question 1			
	Motivation	9	8.5*	0.5
	Productivity	8	6.5*	1.5
	Job Satisfaction	9	8.0*	1.0
	Question 2	Definitely Yes	Definitely Yes	-
	Question 3	Definitely Yes	Definitely Yes	-
	Question 4			
	Compensation/Pay	8	8	
	Career Opportunities	9	8	
	Training/Development	9	9	
	Performance Evaluation	9	7	
	Employee Relations	9	7	-
	Job Design	9	8	
Organisational Structure	9	7		

	Working Conditions	9	9	
	Recruitment & Selection	9	6	
	<i>Average</i>	8.9	7.7	-
	Question 5			
	Competitive Compensation	8	5	
	Career Opportunities	8	8	
	Training/Development	9	6	
	Performance Evaluation System	8	5	
	Employee Relations	8	8	-
	Tasks & Objectives	9	7	
	Organisational Structure	7	7	
	Working Conditions	8	6	
	Recruitment & Selection Techniques	10	7	
	<i>Average</i>	8.3	6.6	-
	Question 1			
	Motivation	9	10.0*	1.0
	Productivity	8	10.0*	2.0
	Job Satisfaction	9	10.0*	1.0
	Question 2	Probably Yes	Probably Not	-
	Question 3	Probably Yes	Probably Not	-
	Question 4			
	Compensation/Pay	5	6	
	Career Opportunities	5	10	
	Training/Development	8	8	
	Performance Evaluation	8	6	
	Employee Relations	9	10	-
	Job Design	9	10	
	Organisational Structure	9	10	
	Working Conditions	10	10	
	Recruitment & Selection	7	10	
	<i>Average</i>	7.8	8.9	-
	Question 5			
	Competitive Compensation	8	6	
	Career Opportunities	8	10	
	Training/Development	2	4	
	Performance Evaluation System	2	6	
	Employee Relations	10	10	-
	Tasks & Objectives	7	10	
	Organisational Structure	7	10	
	Working Conditions	9	10	
	Recruitment & Selection Techniques	6	10	
	<i>Average</i>	6.6	8.4	-
Trigger Systems	Question 1			
	Motivation	10	9.0*	1.0

	Productivity	8	7.0*	1.0
	Job Satisfaction	10	8.0*	2.0
	Question 2	Might or Might Not	Might or Might Not	-
	Question 3	Probably Yes	Probably Yes	-
	Question 4			
	Compensation/Pay	7	9	
	Career Opportunities	10	9	
	Training/Development	10	7	
	Performance Evaluation	7	5	
	Employee Relations	9	9	-
	Job Design	8	7	
	Organisational Structure	7	5	
	Working Conditions	10	6	
	Recruitment & Selection	9	6	
	<i>Average</i>	8.6	7.0	-
	Question 5			
	Competitive Compensation	7	9	
	Career Opportunities	10	8	
	Training/Development	8	7	
	Performance Evaluation System	5	5	
	Employee Relations	10	8	-
	Tasks & Objectives	10	9	
	Organisational Structure	6	7	
	Working Conditions	10	6	
	Recruitment & Selection Techniques	6	5	
	<i>Average</i>	8.0	7.1	-
Zaask	Question 1			
	Motivation	8	8.5*	0.5
	Productivity	8	7.0*	1.0
	Job Satisfaction	8	6.5*	1.5
	Question 2	Probably Yes	Definitely Yes	-
	Question 3	Probably Yes	Probably Yes	-
	Question 4			
	Compensation/Pay	8	9	
	Career Opportunities	4	8	
	Training/Development	8	10	
	Performance Evaluation	8	7	
	Employee Relations	8	8	-
	Job Design	8	9	
Organisational Structure	8	8		
Working Conditions	3	9		
Recruitment & Selection	8	6		
	<i>Average</i>	7.0	8.2	-
	Question 5			

Competitive Compensation	5	6	
Career Opportunities	5	8	
Training/Development	9	8	
Performance Evaluation System	9	3	
Employee Relations	9	7	-
Tasks & Objectives	9	8	
Organisational Structure	8	8	
Working Conditions	3	7	
Recruitment & Selection Techniques	6	4	
<i>Average</i>	<i>7.0</i>	<i>6.6</i>	<i>-</i>

**Average between employees' own rate and the one attributed by them to their co-workers*

- Aspects that contribute above average to motivation and job satisfaction (employees)*
- Aspects in the company that are ranked above average (founders)*
- Aspects in the company that are ranked above average (employees)*



Appendix 16 – Online survey statistics for founders



	Rates		
	Minimum	Average	Maximum
Question 4			
Compensation/Pay	5	7.0	8
Career Opportunities	4	7.2	10
Training/Development	7	8.4	10
Performance Evaluation	7	8.0	9
Employee Relations	8	8.8	9
Job Design	7	8.2	9
Organisational Structure	7	8.2	9
Working Conditions	3	8.2	10
Recruitment & Selection	7	8.2	9
<i>Minimum</i>	-	7.0	-
<i>Maximum</i>	-	8.8	-
\Delta	-	1.8	-
Question 5			
Competitive Compensation	5	7.2	8
Career Opportunities	5	8.0	10
Training/Development	2	7.0	9
Performance Evaluation System	2	6.4	9
Employee Relations	8	9.0	10
Tasks & Objectives	7	8.6	10
Organisational Structure	6	7.2	8
Working Conditions	3	7.8	10
Recruitment & Selection Techniques	6	7.0	10
<i>Minimum</i>	-	6.4	-
<i>Maximum</i>	-	9.0	-
\Delta	-	2.6	-
<i>Average</i>	-	7.6	-



Appendix 17 – Online survey statistics for employees

	Rates		
	Minimum	Average	Maximum
Question 4			
Compensation/Pay	6	7.6	9
Career Opportunities	7	8.4	10
Training/Development	7	8.6	10
Performance Evaluation	5	6.2	7
Employee Relations	4	7.6	10
Job Design	3	7.4	10
Organisational Structure	5	7.0	10
Working Conditions	3	7.4	10
Recruitment & Selection	3	6.2	10
<i>Minimum</i>		6.2	
<i>Maximum</i>		8.6	
Δ	-	2.4	-
Question 5			
Competitive Compensation	5	6.2	9
Career Opportunities	6	8.0	10
Training/Development	4	5.8	8
Performance Evaluation System	3	4.8	6
Employee Relations	7	8.4	10
Tasks & Objectives	7	8.2	10
Organisational Structure	6	7.6	10
Working Conditions	6	7.0	10
Recruitment & Selection Techniques	4	6.2	10
<i>Minimum</i>	-	4.8	-
<i>Maximum</i>	-	8.4	-
Δ	-	3.6	-
<i>Average</i>	-	6.9	-

Appendix 18 – HRM mission and areas in interviewed start-ups

	HRM Areas							#
	Recruitment & Selection	Performance Evaluation	Working Conditions	Employee Relations	Job Design	Training	Incentive Schemes	
AGRIKOL/AGI	X		X	X	X	X	X	6
<u>LANDING.JOBS</u>	X	X	X	X	X	X	X	7
	X		X	X	X			4
		X	X	X	X		X	5
zask	X	X		X	X	X	X	6



	#HRM Areas	Product/ Service	Staff Size	Age (complete years)	Funding	Founder Previous Job Experience
AGRIKOL/AGI	6	Agricultural Equipment	20	1	F	Hotel Management
<u>LANDING.JOBS</u>	7	Recruitment Agency Platform	50	1	VC	Energy Company
	4	Booking Guide Platform	3	3	F	Start-up
	5	Irrigation Technology	10	1	F	Research Centre
zask	6	Service Guide Platform	15	4	CF	Oil Company

 *Strategic mission*
 *Non-strategic mission*

Appendix 19 – HRM mission, areas and matches in interviewed start-ups

	#HRM Areas	#Matches*
	6	1
	7	2
	4	6
	5	3
	6	3

**Number of matches between HR aspects that contribute above the average to the motivation and job satisfaction of employees and HR aspects that are ranked above the average, according to employees*

 Strategic mission
 Non-strategic mission