

Strategic HR framework for startups: Building sustainable organizations in the digital era

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Case study
Strategic management

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Abstract

Startups play a crucial role in Indonesia's economy, particularly in driving innovation and creating employment opportunities. With flexible and agile business models, startups offer significant opportunities for young entrepreneurs and the younger generation to develop their careers while contributing to economic growth, especially in the technology sector. However, startups face challenges in organizational governance, particularly in human resource management, leading to significant obstacles in employee retention policies and HR management. This research analyzes strategic challenges in startup HR management and formulates a practical solution framework. Through a systematic literature review of recent publications, the study identifies critical issues, including excessive multi-tasking workloads, unsystematic recruitment processes, limited employee development programs, and high turnover rates. The findings highlight the importance of a holistic, integrative approach that encompasses culture-based recruitment, innovative reward systems, structured mentorship programs, and flexible work environments. Implementing this strategy is expected to build solid, creative teams, laying the foundation for long-term startup sustainability.

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Abstrak

Startup memainkan peran penting dalam perekonomian Indonesia, khususnya dalam mendorong inovasi dan menciptakan lapangan kerja. Dengan model bisnis yang fleksibel dan lincah, startup menawarkan peluang signifikan bagi wirausahawan muda dan generasi muda untuk mengembangkan karier mereka sekaligus berkontribusi pada pertumbuhan ekonomi, terutama di sektor teknologi. Namun, startup menghadapi tantangan dalam tata kelola organisasi, khususnya dalam manajemen sumber daya manusia, yang menyebabkan hambatan signifikan dalam kebijakan retensi karyawan dan manajemen SDM. Penelitian ini menganalisis tantangan strategis dalam manajemen SDM startup dan merumuskan kerangka solusi praktis. Melalui tinjauan literatur sistematis dari publikasi terbaru, penelitian ini mengidentifikasi isu-isu kritis, termasuk beban kerja multitasking yang berlebihan, proses rekrutmen yang tidak sistematis, program pengembangan karyawan yang terbatas, dan tingkat pergantian karyawan yang tinggi. Temuan tersebut menyoroti pentingnya pendekatan holistik dan integratif yang mencakup rekrutmen berbasis budaya, sistem penghargaan yang inovatif, program mentoring yang terstruktur, dan lingkungan kerja yang fleksibel. Implementasi strategi ini diharapkan dapat membangun tim yang solid dan kreatif, meletakkan dasar bagi keberlanjutan startup jangka panjang.

Kata kunci: Startup, Manajemen SDM, Strategi SDM, Inovasi, Retensi Karyawan

Introduction

In today's digital era, startup companies have become attractive entry points for young entrepreneurs from Generation Z (Fauziah, 2022). With extensive access to technology and the ease of starting a business, many individuals aspire to create innovations that can disrupt markets. The startup business model tends to be agile and technology-based, providing a competitive advantage in responding to dynamic market changes (Alamäki, 2021). As innovation-driven companies, startups can quickly follow and adapt to changing trends and consumer needs. In recent years, startup companies have become drivers of innovation and growth in Indonesia's digital economy. However, behind their promising growth potential, startups face serious sustainability challenges with failure rates reaching 90% (Aminova, 2021). This is caused by various factors, including a lack of understanding of dynamic markets and business models, funding issues, product performance, market preferences, and an inability to manage human resources effectively.

This phenomenon indicates the need for an in-depth evaluation of fundamental aspects of startup organizational management. Human Resource Management emerges as a critical factor that is often overlooked in discussions of startup success. Reality shows that startups face unique HR challenges, ranging from an intense work culture and less-structured recruitment systems to limitations in employee career development (Boudlaie, 2022). The problems become more complex with the characteristics of Generation Z and millennials who dominate the startup workforce. This generation has high expectations for self-development, work-life balance, and collaborative work environments (Dreyer, 2023). The mismatch between these expectations and the reality of startup work culture often leads to high turnover and decreased productivity (Nurramadhania, 2023).

Meanwhile, Human Resources, with an understanding of technological developments and relevant skills, will provide advantages in helping startups innovate and respond quickly to market changes (Nikam, 2023). Strategic HR planning not only supports daily operations but also forms a solid foundation for startup sustainability and growth. In this competitive world, companies that manage HR effectively will have an advantage in surviving and growing in

uncertain markets. Therefore, effective HR management is a key factor in a company's success and resilience. This research will discuss human resource management in startup companies.

Based on these conditions, this research aims to analyze the root causes of HR management challenges in startups and to formulate effective strategies to overcome them. The analysis focuses on identifying gaps between existing practices and ideal HR management needs in startup environments, and on compiling implementable strategic recommendations.

Case description

Startup Companies

Startup companies are businesses that focus on developing innovative products or services to solve market problems through unique or more efficient approaches (Wahyuni et al., 2022). Key characteristics of startups include agile business models, rapid adaptation to market changes, and the use of technology to create disruption (Winasis et al., 2023). These traits set startups apart from traditional companies and significantly influence HR management strategies.

Operating in high-risk environments, startups can achieve exponential growth if their products are well-received by the market (Singh et al., 2023). These conditions create unique HR dynamics in which flexibility, adaptability, and resilience become essential attributes for every team member. This dynamic business model often contradicts traditional, rigid HR practices, highlighting the necessity for HR management approaches explicitly tailored to startup contexts.

Many aspiring entrepreneurs are choosing to launch their businesses as startups for several reasons. First, technological advancements have made initial capital more accessible, allowing entrepreneurs to start businesses with smaller investments, particularly in technology and digital sectors (Singh et al., 2023). Second, the rise of crowdfunding platforms and investor interest in innovation provides increased funding opportunities (Babich et al., 2021). Additionally, the dynamic, open culture in startups fosters creativity and flexibility in management, which is particularly appealing to younger generations.

Startup companies play a critical role in Indonesia's economy (Ermawati et al., 2022). As drivers of innovation, startups create new products and services that enhance efficiency, improve quality of life, and address existing social and economic issues (Judijanto et al., 2024). Startups also contribute to job creation, with many workers engaged in fields such as technology, marketing, and management (Siringo-ringo, 2023). Furthermore, the presence of startups strengthens Indonesia's entrepreneurship ecosystem and enhances the country's competitiveness in global markets. With their rapid growth potential, startups help accelerate economic growth and support the development of the increasingly vital technology sector in today's business landscape (Winasis et al., 2024).

Career Opportunities in Startups: Places to Learn, Innovate, and Develop.

Startup companies are increasingly viewed as a promising business model and are often considered "entry-level companies" for aspiring entrepreneurs and recent graduates seeking job opportunities (Dreyer et al., 2023). Compared to large corporations, startups tend to have more flexible, informal cultures. By joining startups, younger generations, such as Gen Z and Gen A, gain opportunities to enter the workforce and learn directly from various company divisions while collaborating with different teams (Stojanová, 2023). This open environment allows newcomers to feel more comfortable and less burdened by rigid hierarchical structures (Waworuntu et al., 2022). Functional work settings also enable employees to develop a wide

range of skills, including project management, communication, and creative problem-solving (Hamdi et al., 2022).

At startups, new employees can learn about various aspects of company operations. Since startup teams are typically small, employees frequently work directly with founders or managers who provide direct guidance. This structure enables them to acquire a broad skill set in a short period, including project management, communication, and creative problem-solving (Hamdi et al., 2022). Many startups are founded with an entrepreneurial spirit, making them ideal for beginners eager to learn how to build and develop business ideas. Working in a startup allows employees to engage directly in the innovation process, observe how businesses evolve from the ground up, and contribute to multiple projects (Mărginean, 2021).

Experience in handling a variety of tasks is also more readily available. In startup environments, there is often minimal separation between roles. For instance, a beginner may start in one position but can gradually get involved in different types of tasks or even transition to other roles. This flexibility helps them discover diverse interests and talents (Riady et al., 2022). While working in startups offers numerous opportunities, there are also significant disadvantages to consider, such as high workloads. Startups often operate with limited resources and small teams. Consequently, each employee must be prepared to work harder and manage multiple tasks simultaneously, which can sometimes result in excessive workloads, stress, and an imbalance between work and personal life (Nurramadhania et al., 2023). In summary, the reality of working in startups is characterized by significant challenges, but also offers valuable experiences and learning opportunities.

Methods

This research uses a qualitative approach through a systematic literature study. Data collection was conducted by searching academic databases using keywords related to HR management and startups. Inclusion criteria include articles published in the last 5 years, with a focus on the startup context and relevance to HR management topics. Articles were then selected based on relevance, research quality, and reliability. Data obtained from selected articles were then comprehensively analyzed to generate findings and recommendations related to the research topic. Data analysis was conducted thematically, grouping findings from the literature into relevant categories. Data validity was maintained through source triangulation by comparing findings from various literature and research contexts.

Discussion

Alignment between HR strategy and startup business characteristics.

Based on a literature review, there is a significant gap between startups' strategic needs and the HR management practices they implement. Startups, characterized by agile models and a focus on exponential growth, require HR approaches that align with their unique characteristics. However, many startups continue to adopt conventional HR practices that are counterproductive to their business dynamics.

This research finds that the success of HR management in startups depends heavily on establishing alignment among three fundamental aspects: generational workforce characteristics (Gen Z and millennials), the high-risk nature of startup businesses, and the need for continuous innovation. Failure to create this alignment can lead to various HR challenges in startups, including high turnover rates and low employee engagement.

Strategic HR Framework for Startups

This research synthesizes various empirical studies and recommends a strategic HR management framework composed of four main pillars:

Talent acquisition and cultural fit

Recruitment processes in startups must evolve from merely seeking technical skills (hard skills) to emphasizing cultural fit and adaptability. A study by Kaul (2021) indicates that recruitment success in startups is 70% more influenced by alignment with values and culture than by technical expertise alone. Therefore, implementing culture-based interviews and value assessments is crucial for building cohesive teams.

Agile performance management

Startup performance management systems should shift away from rigid, conventional models and adopt agile performance management approaches. This model emphasizes continuous feedback, flexible goal setting, and real-time recognition of employee contributions. Research by Men (2021) shows that startups that employ weekly check-ins and quarterly goal reviews experience a 25% increase in productivity compared to those that rely on annual performance appraisals.

Developmental ecosystem

Creating an integrated development ecosystem addresses the limitations of formal training programs in startups. The concept of a learning organization, adapted for startups, includes peer learning, cross-functional projects, and external mentorship programs. A study by Melenchion et al. (2023) found that startup employees participating in mentorship programs have retention rates 40% higher than those without such programs.

Holistic well-being approach

Implementing holistic welfare approaches that cover physical, mental, and financial aspects is vital in the high-intensity environments of startups. Programs that offer work flexibility, mental health support, and financial wellness have proven effective in reducing burnout and increasing long-term productivity (Tuzovic & Kabadayi, 2021).

The successful implementation of this strategic HR framework relies heavily on startup leaders. Leaders must transition from being merely technical founders to becoming transformational leaders capable of creating an inspiring vision, fostering a positive organizational culture, and nurturing talent. A study by Supriandi (2024) shows that startups led by transformational leaders experience revenue growth 3.5 times faster than those led by transactional leaders.

Furthermore, the digitalization of HR processes through the implementation of appropriate HR technology is an essential enabler of efficiency and effectiveness in HR management. Using tools for performance tracking, employee engagement, and learning management systems enables startups to manage HR through data-driven approaches despite limited resources.

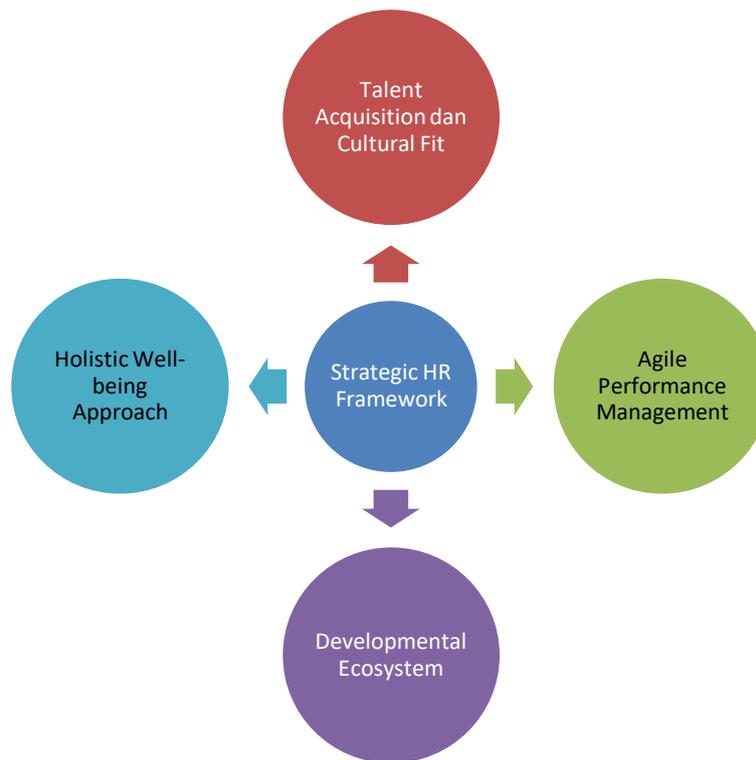


Figure 1
Strategic HR Framework

Conclusion

Based on a comprehensive analysis, it has been concluded that effective HR management is a crucial factor for the sustainability of startups. The main challenges faced by startups include multi-tasking workloads, unsystematic recruitment practices, limited employee development opportunities, and high turnover rates. To address these challenges, the research recommends implementing an integrated strategic framework based on four pillars: Culture-Oriented Talent Acquisition, Agile Performance Management, a Developmental Ecosystem through mentorship, and a Holistic Well-Being Approach. The successful implementation of this framework relies on the transformational leadership of founders, who play a vital role in fostering a positive organizational culture.

However, this research has limitations, as the data were sourced solely from a literature review. For future studies, mixed-methods empirical research should be conducted to test the effectiveness of the proposed strategic framework. Additionally, comparative analyses of HR needs based on different stages of startup development, as well as longitudinal studies examining the impact of HR strategies on business performance, should be undertaken. Cross-cultural studies comparing HR practices in Indonesian and international startups would also be valuable. These various research proposals contribute both theoretically and practically to the development of Indonesia's startup ecosystem.

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