

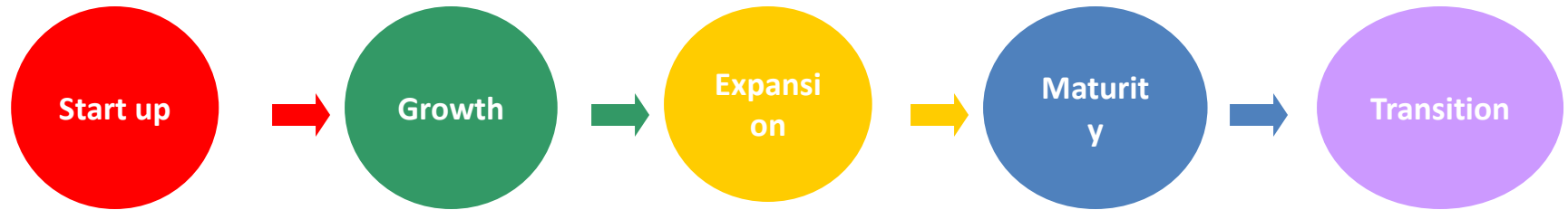


## HR READY RECKNOR FOR START UPS

## Table of Contents

1. Lifecycle of a Technology company .....	3
2. Essential HR processes for Startups .....	4
3. Recruitment, Selection & Onboarding .....	5
4. Probation Review .....	6
5. Induction/Orientation .....	7
6. Compensation .....	8
7. Working Hours and Leave policy .....	9
8. Expenses reimbursement.....	10
9. Code of Conduct .....	11
10. Compliance (As per Bombay Shop and Establishment Act 1948) .....	12
11. Employee Separation.....	13
12. Culture .....	14

# 1. Lifecycle of a Technology company



<p><b>Challenge</b></p> <p>Accumulate capital, suppliers, resources and mandatory technical skills. Market entry through first customer. Attracting skilled manpower</p>	<p>Business opportunities exceed infrastructure and resources. Need for consistent repeatable business processes. Retention of skilled manpower</p>	<p>Company revenues grow as companies establish strong customer bases. Need additional funds to exploit opportunities. Need to Establish seamless employee communication</p>	<p>Amassed assets and solid profits, by becoming established in the market. The primary area continues to yield profits, but experiences slow or stagnant growth.</p>	<p>Measures needed to improve growth like diversification, reengineering, new product development to spur growth. Changes in external environment need to be tracked and corrective actions required.</p>
<p><b>Management Approach</b></p> <p>Leadership focus is on development of a marketable product/service while managing necessary finance. Growth limited to functions like Design, manufacturing or service. Flat organizational structure</p>	<p>Focus on making the product work well and increasing sales. Growth in sales and marketing function. Functional organization structure adopted.</p>	<p>Managed delegation , planning and controls are needed. Middle management takes responsibility for operations while top management focuses on business strategies. Growth in staff functions.</p>	<p>Organization size is stable. The structure can become more divisionalised and the culture can become bureaucratic due to high degree of formalization.</p>	<p>Collaboration needed at all levels to energize the organization. Use of information system to capitalize on internal knowledge. Formal approach to managing business change.</p>

## 2. Essential HR processes for Startups

The following HR processes should be established in a company that has started building an organization.

Designing a simple and easy to understand & implement HR process, can address most of the people management challenges of Startups. The spirit of implementation is vital to the success of any process.



**Recruitment & Selection of employees**



**Probation Review & Confirmation**



**Induction**



**Compensation Structure & Levels**



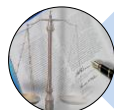
**Working Hours & Leave**



**Expense Management**



**Code of Conduct**



**Labor Law Compliance**



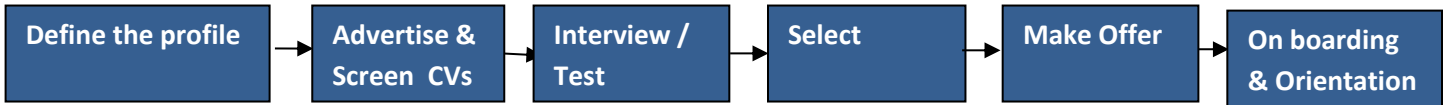
**Employee Separation**



**Culture Building**

### 3. Recruitment, Selection & Onboarding

#### Hiring Cycle



**Evaluate the need for candidate**

**Best practice:** Always start with a broad job profile and specs  
**Avoid:** Don't be very specific with profile as role can change as company grows

**Interview and selection**

Remember about 7C's while interviewing:

- ✓ **Competent:** Does the candidate have relevant skills, education and experience ?
- ✓ **Capable:** Does the candidate have capability to work in an unstructured & uncertain environment ?
- ✓ **Compatible:** Will the candidate be able to work in a team ?
- ✓ **Commitment:** Does the candidate seem committed for long term ?
- ✓ **Character:** Does person's character and values matches with the company values?
- ✓ **Culture:** Will the candidate adjust to the organization's work culture?
- ✓ **Compensation:** What is the salary expectations of the candidate ? Does the company's ability to pay align to Candidate's expectations ?

**How to search for a right candidate**

**Various channels of Recruitment**

**Industry Best Practice**

**Cost Effective Practices (recommended for startups)**

- Employee Referral / Buddy Scheme
- Sourcing through professional networking sites (example LinkedIn)
- Job advertisement (free) on sites such as yahoo jobseekers, & OLX.
- Campus Recruitment (for fresher recruitment)

**Cost Intensive Practices (recommended for Sr. Management positions)**

- Advertisement on leading job portals such as naukri.com, monsterindia.com.
- Classified advertisement (cost effective) in newspaper, magazines
- Use of placement agencies, head hunting agencies
- Use of Recruitment Placement Outsourcing firms (for mass recruitment)

**Cost of one time job posting in LinkedIn: Rs. 1700/-**  
**Cost of one time job posting in Naukri: Rs. 1650/-**

**Reference Check:** Important to do before you make an offer

- ✓ Obtain two references from previous employer/professionals
- ✓ Focus on employee's reason for separation, role & overall attitude towards work

**Employment Contract**

Make an offer to the candidate.  
 When he/she joins, then issue an appointment letter.

**Note:**

There is a growing tendency in the Indian job market of accepting offers but not joining. Maintain contact with the candidate after offer is made, insist on a resignation acceptance letter from current employer. Have a back up candidate shortlisted.

**Types of Employment:**

✓ Permanent	✓ Contract
✓ Consultants	✓ Trainee or Interns

## 4. Probation Review

It is the period for building relationship and mutual understanding between the new employee and organization.

- Probation period starts immediately after the joining of new employee. Probation period usually varies from 3 to 6 months. This period also covers the minimum probation period requirement laid down by Bombay Shops & Establishment Act.
- During the probation period, probationer should be encouraged to learn and the supervisor should be in constant touch with him/her.
- While on probation, an employee should be reviewed on his/her learning capabilities, ability to understand and adapt to Company's systems & procedures and potential to grow with the Company.
- Depending on complexity of role, notice period can vary between 24 hours to 1 months. Termination on account of integrity issue, violation of code of conduct does not need notice period.
- If the company observes a 5 day work week, then the number of leaves during probation can be restricted to sick leave (i.e. approx 6). If the company observes a 6 day work pattern, then the company can extend upto 1 day of leave in a month, during probation.
- Follow formal probation review process before taking a decision on confirmation.
  - 1 month review: Line Manager / HR should hold a discussion with the new employee to understand adjustment related issues (if any), and to ensure that he/she has requisite information to carry out work.
  - 5 month review : Conduct a formal documented review to understand employee's potential to perform in the role he/she is being hired for, grasping ability, team working ability and ability to grow with the Company in the long term.
  - Confirmation can be extended by another 3 months. The employee should be clearly informed about the reasons for the same and an improvement plan should be created.

## 5. Induction/Orientation

Planned Induction / Orientation about the Company on the day of joining to a new employee plays an important role in settling the new employee into the Organization.

It is the overall preview of the company, to acclimatize new employees with the organization.



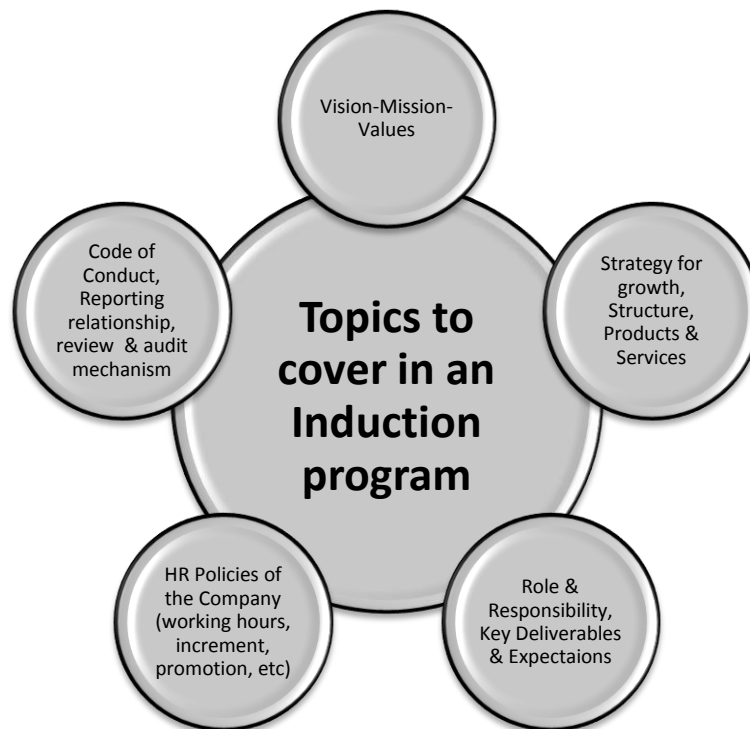
Followed by induction, it is more practical overview of organization. Orientation should be Job-specific as it will save the time for start-ups.

**Induction**                      **Orientation**

Objectives:

- To reduce operational cycle time of a new employee.
- To orient the new employee with Company's systems, policy & procedures.
- To induct the new employee into his/her role and introduce him/her to the interfacing team, customers, vendors, suppliers & other related agencies.

Points to cover at time of Induction



## 6. Compensation

Four Perspectives of for determining salary:

- ✓ **Internal parity** - Ensures that differences in salary levels correctly reflect differences in the job responsibility and skill sets.
- ✓ **External perspective** – Ensures that salary ranges compare favorably to those of similar employers in your geography from year to year
- ✓ **Employee Cost** – Determine the overall employee cost & spread the cost based on relative impact of job.
- ✓ **Reward** employees on the basis of performance and their potential to grow



Compensation review can be divided into two parts:

- ✓ **Annual salary revision (fixed)**– This is the fixed monthly gross salary and is determined based on consistency in performance, criticality, attitude towards work & growth potential
- ✓ **Performance Linked Variable Pay** – This is determined on the basis of Company-Department-Team & Individual's contribution / performance

- ✓ Encourage taking leaves to their credit.
- ✓ Discourage compensatory off & working on paid holidays.
- ✓ Encash Earned Leave at the end of calendar / financial year or allow accumulation within the guidelines of the law

### Salary Components:

- I. **Basic:** It will be part of the fixed monthly payout as a fixed percentage of the monthly gross pay. As the company grows, most statutory benefits will be linked to this component. (**Recommended: 40-50% of Gross Pay**).
- II. **House Rent Allowance (HRA):** It will be part of the fixed monthly payout as a fixed percentage of basic pay . Tax friendly component. (**Recommended: 50% of basic pay**)
- III. **Conveyance Allowance:** It will be part of fixed monthly payout. The amount will be fixed. Tax friendly component, up to a certain limit (currently Rs. 800/- is tax exempt)
- IV. **Leave Travel Allowance (LTA):** This allowance can be fixed. It can either be paid monthly or can be claimed once a year. Tax friendly component. (Tax exemption once in two years on production of travel receipt).
- V. **Medical reimbursement:** This allowance can be fixed. It can either be paid monthly or can be claimed every quarter. Tax friendly component up to certain limit. Currently upto Rs. 15,000/- is tax exempt.
- VI. **Miscellaneous Allowance:** Balancing amount to match the CTC.



## 7. Working Hours and Leave policy

- ✓ **21 days Earned leave (EL)** in 240 days is advised as per Bombay Shop Act. (No separate leaves like Sick or Casual leave)
- ✓ If an employee leaves early or reports late for more than 3 hours a week, half day leave can be considered
- ✓ One can carry forward 42 days EL. More than 42 days EL will lapse.
- ✓ EL credited to account will be en-cashed annually or during final settlement when employee decides to leave company. Calculation of amount will be on basic salary. Per day rate will be worked out by dividing the sum of Basic paid in a month by 30 days.
- ✓ During leave period intervening weekly offs and paid holidays will not be considered as leave.
- ✓ As per **Maternity Benefit Act 1961**, pregnant women will be availed 3 months leave during pregnancy, it includes full pay and benefits at time of leave.
- ✓ **Good Practice:** To avail 7 days of paternity leave, though it's not mandatory.
- ✓ As per Bombay shop and Establishment Act only **4 days paid leaves are mandatory** (26<sup>th</sup> January, 15<sup>th</sup> August, 2<sup>nd</sup> October, 1<sup>st</sup> May). But it is good to provide **8 or 9 paid holidays** to cover major festivals. Publish a paid holiday calendar for every year.



- ✓ Working hours: 8 hours a day or 48 hours a week maximum.
- ✓ **Best practice** if possible set core hours like 10:00 AM to 5:00 PM which provides flexibility to employees. These kinds of practices attract good talent towards start-up and motivate existing employees.
- ✓ Lunch break: 30 min between 12:30 PM to 2:00PM
- ✓ 5 days work week or 6 days work week depending upon the nature of business.

Leave card to maintain the leaves should be on basis of Bombay Shop Act, 1948. Leave cards (based on Bombay Shop act format) can be procured from "House of Forms"

**Address: 1410, Kasba Peth, Opposite East Side of Bajirao Statue, near Shaniwarwada, Kasba Peth, Shivaji Pawar Path, Kasba Peth, Pune Maharashtra 411011**

## 8. Expenses reimbursement

Depending upon roles & responsibilities and functional requirement, employees get reimbursement for expenses:

- ✓ Mobile phone
- ✓ Travel: Domestic/ International
- ✓ Local Travel
- ✓ Internet

### Mobile phone reimbursement:

- ✓ Depending upon the role and responsibilities, management has to decide a cap for reimbursement
- ✓ Employee either produce the bill payment receipt or can be given a fixed for amount in respect for the role

### Travel Reimbursement

- Local Conveyance reimbursement
    - ✓ Travel by auto: Depending upon distance
    - ✓ Travel by taxi: On actual
    - ✓ Travel bus local bus/ train: On actual
    - ✓ Travel by two wheeler: Rs. 4 per km
    - ✓ Travel by four wheeler: Rs. 8 per km
  - Domestic Travel reimbursement
    - ✓ Travel within 650 km radius: On actual for AC two tier or bus
    - ✓ Travel more than 650 km radius: On actual for AC two tier or Economy air fare
  - Accommodation reimbursement
    - ✓ Decide a maximum limit depending on class of city(metro/non metro)
  - Meal reimbursement/Travel Allowance
    - ✓ Rs 500 for a day which includes all meals
- 'Or'
- ✓ Fix a cap for reimbursement and reimburse on actual

### Internet Reimbursement

Is required if job requires travel 'or' if the company has work from home flexibility

- ✓ Management can either provide a device to all employees and pay the certain amount of bill directly 'Or'
- ✓ Employees can be reimbursed on the basis of role for their own internet expense

### Expenses that cannot be claimed

- ✓ Expense for spouse and other family members accompanying travel
- ✓ Travel insurance, Airline upgrades,
- ✓ Memberships, clubs, organizations or baby- sitting fee
- ✓ Loss or damage of personal items while travelling
- ✓ Traffic and parking violations charges
- ✓ Sightseeing or personal trips while on business travel
- ✓ Mileage for travel between office and home on any day, including weekends
- ✓ Personal entertainment while on business trip like books, magazines, hotel room movies, hotel mini bar

## 9. Code of Conduct

It sets out the fundamental standards to be followed by employee everyday on behalf of company



### Important Code of Conducts a start-up should follow and encourage its employees to follow:

1. **Business Integrity:** Every employee and associated work force shall carry out all business with full integrity and reliability.
2. **Compliance with company policy and procedures:** All employees work with company's policy which is in compliance with laws and regulations.
3. **Unlawful practice or harm to company's reputation:** Company shall have a zero tolerance policy for violation of governing rules, regulations, and laws, if it harms company's public image.
4. **Conflict of interest:** No employee can participate in any kind of activities which compromises the interest of company to personal gain and interest.
5. **Integrity if communication and confidential information:** All employees must maintain integrity in their internal and external communication and high confidentiality of information entrusted to them. Disclosure of any such information shall only ensue if authorized or mandated. An employee is a public face for company, so one has to be very careful while interacting with anybody about company.
6. **Gifts and donation:** No employee can accept any gifts or donations from outside interested party.
7. **Intellectual property:** Company holds exclusive rights to all of the intellectual property created by and for the business.
8. **Management action on Non-Compliance of Coc:** All employees should follow this Coc, management has full right to take stringent action if there will be any misconduct for it.

## 10. Compliance (As per Bombay Shop and Establishment Act 1948)

### Leave

- ✓ 5 days leave for every 60 days of work if an employee worked for more than 3 months
- ✓ 21 days leaves for 240 days worked. Accumulation of leave - 42 days



### Registration and Establishment (Bombay Shop and Establishment Act, 1948)

A statement is to be filed by the employer containing names, category & other particulars of the establishment to the inspector of concerned local area within 30 days of establishment.

### Health & Safety measures

- ✓ Premises of establishment kept clean
- ✓ Rubbish and filth is not allowed to accumulate
- ✓ Adequate ventilation and lighting to be maintained during working hours
- ✓ Precautions against fire should be taken
- ✓ First aid facilities should be there

### Maintenance of registers & records and display of notices

- ✓ Employer shall maintain register, records of leave and display on office premises as prescribed by act.
- ✓ Leave record should be in format of act.
- ✓ Working hours: 9 hrs a day or 48 hrs a week
- ✓ 1 day off in a week is compulsory
- ✓ Double employment, for an employee is not allowed while on holiday
- ✓ Notice of termination of service to be given:
  - For 1 year or more: 30 days notice or wage in lieu of it
  - For less than one year but more than 3 months: 15 days notice or wage in lieu

### Maternity Benefit Act, 1961

- ✓ Employee should get leave for 3 calendar months (for delivery or miscarriage), if she has worked for 160 days before taking leave
- ✓ During leave employee should get full pay +benefit

All the forms and kit (to be displayed in office) can be collected from:

**Address: 1410, Kasba Peth, Opposite East Side of Bajirao Statue, near Shaniwarwada, Kasba Peth, Shivaji Pawar Path, Kasba Peth, Pune Maharashtra 411011**

**Phone: +91 20 2457 1066**

## 11. Employee Separation

When an employee decides to leave the company.



As soon as it has been decided from both the sides that an employee is leaving the company:

- ✓ Acknowledgement/ notification letter along with a blank full and final settlement form should be issued
- ✓ The following documents will not be issued / processed till full and final settlement of accounts is done:
  - The final relieving order
  - Service Certificate
- ✓ Notice period (As per Bombay shop and Establishment Act, 1948)
  - Employee has to either serve the notice period or buy back the notice period
  - Probation period: 1 week or 15 days Employee has to either serve the notice period or buy back the notice period
  - Confirmation: 1 month

## 12. Culture

### What all things can be done to build foundation of a culture in start-up phase?

1. Recruit the right candidate. Base your recruitment on:
  - ✓ What kind of culture you want to build in an organization. While recruiting look for best and most authentic talent.
  - ✓ Look for “Authentic talent” means who fits into the culture and who has right set of skills to perform the job.
2. “**All Hands Meet**” monthly, which will be an open and honest Q&A forum for employees. It gives employees direct access to CEO and the opportunity to express their concerns or frustration (if any). This helps in building an open culture from beginning.
3. Develop a culture of transparency and freedom, “ More freedom employees get, more innovation they bring in the company”
4. Try to maintain a “**self cleaning culture**”. Quick points on self cleaning culture:
  - ✓ Make sure the team feel responsibility for company’s success.
  - ✓ Try to unlock the inner motivation for employees by establishing purpose for everyone and making people feel like they are a part of the vision.
  - ✓ The company should wash out bad behavior without wasting any time, as it will create politics in company.
5. Cultivate the culture of team work.
6. Cultivate the culture of respect among each other. This can be done by giving respect and dignity to employees. Simply think: Treat others as you would want to be treated and watch your company flourish.

### Things to avoid:

1. Never risk employing a culture-fit devil. It may risk success of your company.
2. The candidate who lacks hard skills can be a cause of concern, but who lacks the values and beliefs you are looking for is a big burden.
3. Be honest with candidate at time of recruitment (don’t oversell yourself) and let them make their own decision. Don’t try to convince them too hard.
4. Try to look for a candidate with H-E-A-R-T, means: Humble, Effective, Adaptable, Remarkable, Transparent.

Try and build a culture of Employee retention, as a loyal employee is a big asset for company. Try to:

1. **Revisit old promises:** If not possible to do so make a conversation with them and try to make them understand the reason behind it.
2. **Consider their voice:** Address their complaints (if any) and involve them in additional responsibilities (if they wish so). Make them feel they are important for organization and their voice matters.
3. **Plan activities:** Try to have fun at place sometimes
4. **Address pay inequities:** Look if there is any pay inequity and try to remove it when business

### Further Reading

<http://www.amazon.com/The-High-Performance-Entrepreneur-Success/dp/0670999180>

<http://www.amazon.com/Elephant-Catchers-lessons-breakthrough-growth/dp/9350095831/>

<http://www.amazon.com/Entrepreneur-Mind-Essential-Characteristics-Entrepreneurs/dp/0988479702/>

The Bombay Shops and Establishments Act, 1948 2011 Edition by S D Puri

Labour Laws everybody should know, 6<sup>th</sup> Edition, 2010 by H L Kumar

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