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## **A STUDY ON THE ROLE OF HIRING FREELANCERS IN START-UP COMPANIES**

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### **Abstract**

The change in dynamics of the business environment due to market conditions or sometimes due to technologies, demands innovations and creativity in business organizations. Especially when it comes to start-up businesses a careful decision regarding the same becomes of utmost importance. As being in their initial stage they prefer to hire a specialized workforce at lower costs. Whether it is a high-tech company, Healthcare, Travel, or educational setups, start-ups have spread their roots in every sector. The freelancer, or freelance worker, is the term commonly used for a self-employed person and not necessarily committed to a particular employer for the long term. Therefore, the role of freelancing is gaining popularity, especially in the start-up business. This descriptive and analytical study analyses the areas in start-ups where freelancing services can be delivered. The data used for this study is based on secondary sources like research journals, annual reports, websites, etc. This study analyses the strategies for hiring freelancers in startup businesses. The findings of the study show the highest demand for freelancers is in the arts and design industry followed by entertainment, administration support, and manufacturing industries. The research also suggested that the highest revenue-generating freelancing jobs include android app development followed by AJAX, API, blog writing, and YouTube content. Thus, this study also explores the significance of hiring freelancers in start-ups considering some successful start-ups like Meta, Walmart, and Expedia.

**Keywords: Start-up companies, freelancing jobs, strategies**



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## Introduction

Human Resource is the most important asset for any organization. They are the main source that ensures the actual working of the organizations. Therefore, it becomes crucial for managers to employ an effective, efficient & skilled workforce to carry out the various tasks.

While deciding on its workforce, the organization emphasizes acquiring competent & skilled employees. Especially when it comes to start-up businesses a careful decision regarding the same becomes of utmost importance as being in their initial stage, they tend to hire experts at lower costs. Freelancing is gaining popularity over the past few years and this trend is steadily picking up in the country's start-up businesses.

**Start-up companies-** A start-up company is a newly formed business with the motive to have a perceived demand for its product or service. There is no limiting framework on what type of company can be considered a start-up, but the term most frequently applies to high-tech companies that offer something new and innovative in the market through their products and services.

**Freelancing-** The freelancer, or freelance worker, refers to a self-employed person who does not commit to a particular employer for the long term. Freelance workers are sometimes representatives of a company or a temporary agency that provides freelancers to clients; while others work independently or use professional associations or websites to get work. Some examples are designing a logo, teaching & tutorial, sales & marketing, SEO jobs, etc.

## Importance of freelancing in Startup Companies

There are a lot of freelancers who end up doing some or most of their work for start-ups. The main reason behind this is the match of their mindsets relating to creating a new way of working through their ability to create something from scratch and make it reach new heights of success within a short time. Some of the most prominent reasons for hiring freelancers include-

- Getting specialized skills at lower costs.
- Experiences of freelancers help in getting quality services.
- Better time management of start-up companies.
- More cost-effective than hiring full-time resources.



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## LITERATURE REVIEW

**Burke, A., & Cowling, M. (2015)** conducted a case study in Great Britain regarding the perceived users of freelancers in small and large firms across industries like sports, architecture, manufacturing, etc. The results suggested that managers perceive freelancers as a relatively high value-added segment of the labour workforce useful in a dynamic and innovative business environment. It also highlighted that freelancers are more specialized and help businesses reduce barriers to entry, risk, and financial requirements.

**Hellmueller, L., Cheema, S. E., & Zhang, X. (2017)** studied how recent global news start-ups connected freelancers with traditional news organizations by conducting 10 interviews with founders and editors of global journalism. The findings revealed a networked marketplace of global journalism: the start-ups build on new technologies as well as on-the-ground evidence as their business model and de-localize the distribution of news within a digital marketplace.

**Gupta, V., Fernandez-Crehuet, J. M., Gupta, C., & Hanne, T. (2020)** stated that software startups could continuously innovate business model value propositions by involving freelancers as a source of innovative ideas (that enhance customer perceived value) and as experts for implementing innovative ideas (by undertaking software engineering tasks). Startups employ one of three strategies for associating with freelancers i.e., task-based (association ends with the completion of the outsourced task), panel-based (outsourcing task to a panel of freelancers associated with startup), or hybrid.

**Hudek, I., Tominc, P., & Širec, K. (2021)** conducted an empirical study on 200 Slovenian freelancers on demographic characteristics working from professional, scientific, and technical occupations. The results highlighted that freelancers' human capital factors (education, experience, skills, and training) positively influence subjective and objective success. It also reported that human capital has a greater impact on freelancers' subjective success (life satisfaction, career satisfaction) than on objective success (income satisfaction), suggesting that job and life satisfaction are important resources that freelancers depend on for a better quality of life.

**Gupta, V. (2021)** conducted a study stating the various freelancer selection parameters (framework) that can assist start-ups in selecting freelancers strategically across freelancing marketplaces. The results highlighted that the selection characteristics assist start-ups in determining which freelancing platforms best meet their needs, for instance, getting global market information or creating prototypes, and help them reduce their outsourcing efforts. It also suggested that the association is beneficial for the start-ups if the freelancer selection is done

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strategically and the association is considered to develop the skills in-house rather than completely depending on outsourcing.

## **RESEARCH OBJECTIVES**

1. To analyse the role of hiring freelancers in start-up companies
2. To study the areas where hiring freelancers proves to be significant in start-ups
3. To understand the pros and cons of hiring freelancers and analyse the strategies for hiring them in start-ups

## **RESEARCH GAP**

The above literature review gives an overview regarding the analysis of employing freelancers in various organizations. They also give overall information about their usefulness and impact in different organizational setups. However, this study will explore the essential areas where freelancers' role proves to be significant in startups and strategies through which they can acquire an efficient freelancer for their business setups.

## **RESEARCH METHODOLOGY**

The research methodology employed in the study is qualitative and descriptive in nature. The data was collected through secondary sources like websites, newspaper articles, research journals, etc.

## **FREELANCER'S CONTRIBUTION TO SUCCESSFUL START-UP COMPANIES**

Hiring freelancers has given companies the freedom to work cost-effectively as many of them cannot afford to hire a full-time employee. The massive freelance community many a time has exactly what a company is searching for. From expertise in a project to managing finances can be done by recruiting freelancers with the right skills. Freelancing has paved the path toward the success of various start-ups like Meta (earlier known as Facebook), Walmart, Expedia, etc. that are now considered industry giants globally.

**Meta (formerly Facebook)-** One of the largest tech-giant Meta an American company owned by Mark Zuckerberg, owns some of the biggest social platforms in the world like Instagram, WhatsApp, Messenger, etc. Gradually starting with a limited audience of Harvard University classmates to expanding its roots globally, Meta climbed up the success ladder with its dedicated and skilled workforce. Also, a major share of its earnings comes from the commercials of businesses on its Facebook and Instagram apps.



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Reaching such a wider audience became possible for them through hiring freelancers for various job roles. Content writing, marketing, advertising, subject matter experts, etc., are some key areas where they hire freelancers.

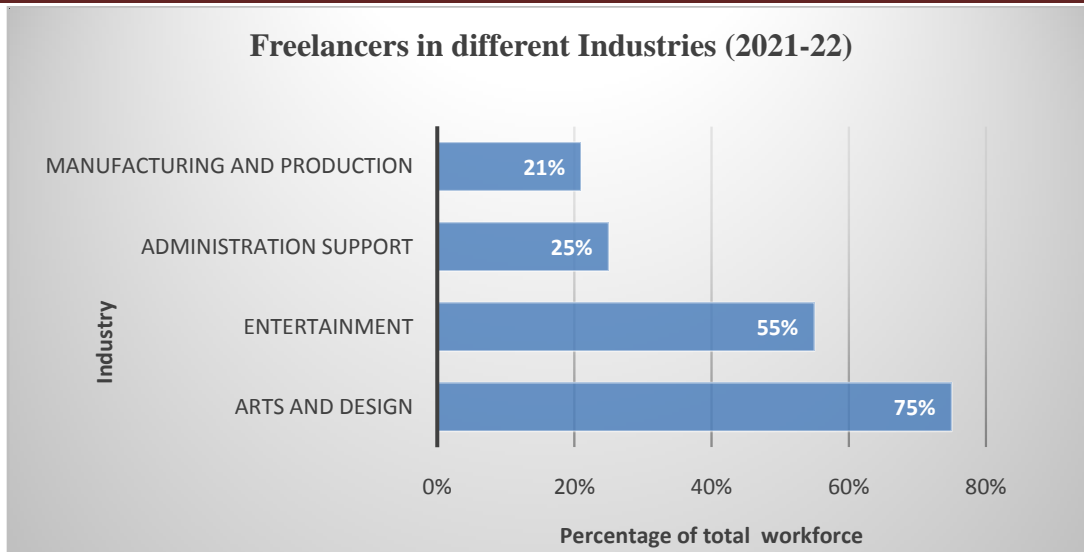
**Walmart-** Walmart Inc. is an American multinational retail corporation. It works as a chain of discount department stores, hypermarkets, and grocery stores in the United States. It is one of the biggest private employers in the world with almost 2.3 million employees working for it. **The company hires freelancers for positions like analysts, content designers, marketers, and tech support.**

**Expedia-** Expedia is a web-based travel service with its headquarters in Bellevue, Washington. The company originally started as a subdivision of Microsoft and later became Expedia Inc. in 2005. It hires freelancers for various positions like developers, designers, and analytic experts to help further diversify its reach as a travel service. They prefer hiring full-time employees as well as freelancers with professional skills, abilities, and an action-oriented mindset. The freelancers are treated as part of the company if they are working on projects, which means they are also included in temporary benefits.

Considering these successful start-ups, the various job roles in the emerging and or upcoming start-ups can be segregated through the hiring of freelancers to have a more specialized and skilled workforce that too at a lower cost.

### **STATISTICS OF FREELANCERS IN DIFFERENT INDUSTRIES**

The demand for freelance job roles has dual aspects, for freelancers, it is about being independent and working on their terms at flexible hours. For start-ups and other companies, hiring a freelancer augments their team, and saves their time in hiring and training full-time employees. Usually, businesses prefer freelancers for short-term tasks or projects that need special expertise. Start-up companies relating to high-Tech, Travel, Healthcare, Education, Staffing, Real Estate, etc, usually hire freelancers. The creative sectors like arts and design and entertainment industries account for the highest number of freelancers i.e. 75% and 55% respectively. Followed by administration support (25%) and Manufacturing & production (21%).



Source- Zippia.com (2021-22)

#### Pros of hiring freelancers in Start-up Companies-

- **Saves time in the completion of your work-** Freelancers deliver quality services in less time as they work for more than one client at a time.
- **Flexible workers with more experience-** Their experience of working with giant industries makes their skills flexible as per the dynamics of the market.
- **Cost-effective for start-ups-** Hiring freelancers as reported by **Elance's survey on small business hiring practices**, 78% said freelancers give them an advantage over competitors.
- **Diversity of workforce and skillsets-**With freelancers, you are not limited to one location but have the power to connect your products and services globally.

#### Cons of hiring Freelancers in Start-up Companies

- **Missed deadlines-** taking up more jobs than they can handle freelancers sometimes focus most of their time and energy on projects that offer higher wages or have a deadline coming up. As a result, they may start falling behind schedule with other responsibilities and miss their deadlines.
- **Lack of commitments-**Low commitment is a common issue among remote freelance employees. Due to the vast availability of choices and lack of contractual obligations,

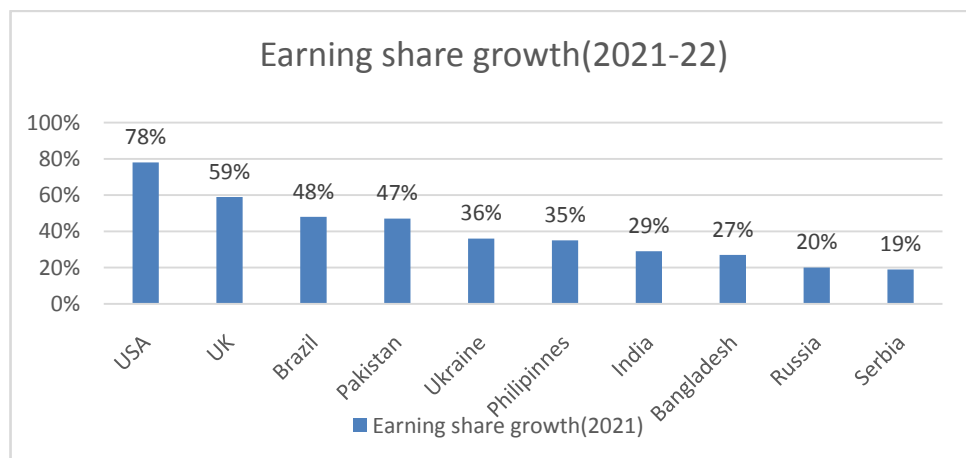


they may abruptly quit your project in favour of another or keep delaying it giving excuses.

- **Lack of security benefits-** Transparency and security should be top priorities for start-up founders working with remote freelance employees. According to the Risk Value 2018 report, around 60 percent of respondents stated temporary employees and contractors are the weakest security link within the organization.

## DATA ANALYSIS AND FINDINGS

Freelancing is providing a viable career path toward the expansion revenue growth of companies. As per the reports of CNBC, many countries are earning higher revenue through their skilled and professional freelance workforce. The top countries with their revenue growth (2021-2022) are as follows

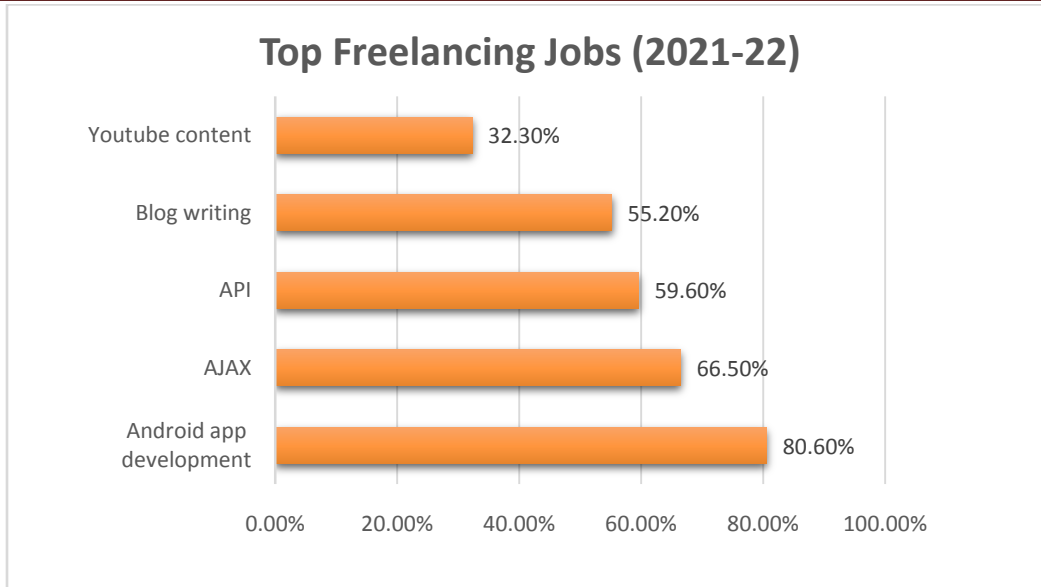


### Source-CNBC and Flexiple.com (2022)

The USA with the maximum revenue growth of 78% increase in its earnings shares from freelancing income ranks in first place, followed by the UK (59%), Brazil (48%), Pakistan (47%), Ukraine (36%), Philippines (35%), India (29%), Bangladesh (27%), Russia (20%) and Serbia ranked at tenth place with (19%).

Freelance job roles with maximum demand as per the reports by Freelancer.com's Fast 50 Index based on 296,000 jobs posted to the site from July 1 to Sept. 30, 2021





**Source- CNBC.com (2021-22)**

The above figures of the top five freelancing jobs of 2021 show the highest demand (80.60%) is in Android app development followed by AJAX (66.50%), API (59.60%), Blog writing (55.20%), and YouTube with (32.30%).

As per the reports of Seeking Alpha, Upwork is the market leader, but only by a very small margin, with 9% of the market share, followed by Toptal (8%) and Fiverr (5%).

### Suggestions and findings

Start-up companies should hire freelancers for the job roles like- web developer, content writing, android app development, etc, as these are some of the most promising services by freelancers available at affordable prices when compared to hiring full-time employees. Websites such as Upwork, Toptal, Fiverr, Freelancer.com, etc. are some of the top websites that bridge the gap in searching for skilled freelancers by start-ups.

As per the data collected from different sources, the findings suggest that it is important to be aware of your company's requirements before moving ahead with hiring freelancers. Being aware of the task and cost involved in its implementation is important before hiring a freelancer. Start-ups can consider the following relevant suggestions in this regard-





- Figure out the scope of the task
- Narrow down your search for freelancers through credible and trustworthy social media platforms.
- Giving them small tasks initially to check their quality of work and later providing them with big tasks will save you cost and time.
- An unbiased contract duly signed by both parties would strengthen the trust and create transparency in the employer-employee relationship.

## CONCLUSION

Many successful companies like Meta, Expedia, Walmart, GoPro, etc, that initially started as start-up business still looks for a pool of skilled and specialized workforce that offers them quality work at minimum costs and hence, prefers in hiring freelancers worldwide for various job positions like content writing, marketing, app developer, SEO works, social media manager, etc. Start-ups, at their initial stage and later as well can also take advantage of such a pool of talented freelancers for different job roles such as graphic designers, copywriters, web developers, etc. The hiring strategy for such positions can be decided by keeping a track of market trends.

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