Introduction

It goes without saying that Southeast Asia has its foot firmly on the digitalisation gas pedal. According to Facebook and Bain & Company's SYNC Southeast Asia report, the region's digital economy has expanded across every metric and is now leading digital transformation in Asia-Pacific. In 2020, the pace of which Southeast Asian companies were able to migrate from the offline to the online surpassed initial estimates. This has not escaped the attention of the venture capital industry which was already eyeing the region prior to the pandemic. Southeast Asia has risen in prominence as a destination for investment capital. Venture backers have made a record number of investments in Southeast Asian tech companies in the first half of this year with an increasing number of early-stage deals being made.

While these are most certainly fertile conditions for hypergrowth, it is not without its challenges. With growth comes growing pains and there is a huge leap between a scrappy startup of 10 people versus a well-oiled organisation of 50 to 1000 employees gearing up for their next round of fundraising. This is particularly prevalent for fintech and e-commerce industries where companies have grown exponentially from 200 to over 2000 people. To make the jump, you need not only strong leadership at the top but also a solid middle management to translate the culture of growth and maturity to the junior team.

In reality, this has been an enormous point of friction for hypergrowth stage startups. In a bid to aggressively expand, aggressive hiring is required to keep up with the growth of the company. Amidst a tight labour market and a tech talent shortage, these scale-ups tend to identify and promote internal talent who are star performers or with leadership potential as opposed to hiring external experienced hires. Over 50% of managers participating in our Manager Essentials Program have in fact been promoted internally by their companies.

In traditional industries, managers are usually around their 40s. Now, the average age of a manager working in a startup in Asia is someone in their mid-twenties or early thirties. In some industries, such as fintech and e-commerce, the average age, and therefore, their experience, could be lower. Companies who want to unlock their growth potential need to develop the capabilities of their middle management. Unfortunately, more businesses than not, do not have the capacity, talent or resources to provide impactful training to these new managers. This is one of the recurring themes that has been brought up in our weekly roundtable discussions with leaders of such hypergrowth organisations. In fact, the Director at One Championship had shared that although they want to spend more time on their employees, much like other startups, their company has been growing so fast that they are forced to focus on business and not as much on the people aspect.

The repercussions of having poor middle management

There has to be repercussions for not focusing on grooming talent. As we have already seen in discussions around The Great Resignation, the people aspect does implicate the business. After all, the people are what makes a company. There could have been a whole decade of the "blind leading the blind" leading to a toxic or lethargic work culture with employee attrition rates rising over time, much of which can be avoided with accessible and effective leadership training earlier on.

As the adage goes, employees do not quit companies, they quit their managers. The biggest reason why people leave companies is due to poor management. According to EngageRocket's State of Employee Experience Report 2021, managers have a profound impact on employee experience. It is worthwhile to note that the attrition rate is incredibly high in Southeast Asia, leading to a strong burn and churn culture. This is also corroborated with a survey by BCG and the World Federation of People Management

Associations which revealed that middle managers are in fact much more critical than company leadership in driving employee performance. Against a backdrop of tech talent shortage and a tight labour market, this will have an impact on a company's product development, growth and bottom line.

In fact, poor management can have a compound effect. As part of our fireside segment, we interviewed a shipping logistics startup and they highlighted a story about how they brought in an external manager who lacked people management skills. Not only did the company waste resources employing and then having to make her redundant, the impact of her poor management skills led to other junior staff leaving the company.

The struggle of middle management

The reality of poor management belies a more pressing state of affairs: Middle management are struggling, especially during the protracted pandemic. Even in better times, young middle managers that we have worked with have shared that they were tasked with new responsibilities that they have no experience or prior training in. One such area was hiring. Middle managers are the ones expanding their teams and defining what the next wave of employees will look like. This was something that they had to learn on the fly.

Since 2020, recent reports have shown that middle managers have borne the brunt of work in the pandemic as well. A survey by Slack of 9000 knowledge workers conducted last year showed that middle managers felt the most amount of stress with remote working compared to senior management and individual contributors. They also had the lowest scores in productivity and overall satisfaction. While middle managers may have the best of intentions, those who were unable to handle transition well were at prime risk of burnout which could trickle down and impact their juniors.

Moreover, hypergrowth startups have increasingly expanded regionally and distributed their workforce as remote work caught on. We have seen business leaders having to manage across geographies, cultures and timezones. It is not uncommon for a Head of Product to be based in Singapore while leading a team in Taipei and Manila. This has proven to be yet another hurdle that middle management have to face - how were they going to actively coach, mentor, inspire and lead high-performing teams in a remote work environment? It certainly is not an easy feat. I interviewed over 30 senior leaders from fast-growing companies in APAC and a common pain point that emerged for these more experienced leaders is the difficulty in managing across cultures remotely.

With employee recruitment and retention being a hot topic in the startup landscape, this is a clear sign for senior leadership to pay more attention to their people managers. They should continuously check-in on them to gather feedback on what is needed to address their concerns. Good people managers are non-negotiable as the company undergoes a high growth stage. These hypergrowth companies need to help set their employees up for success by up-skilling their managers with remote-team management and cross-cultural communication alongside other core leadership competencies.

Companies will need to find innovative ways to plug the training gap as company strategies, alignment and talent retention will be correlated to the effectiveness of people management. While hypergrowth startups may be thriving in today's digital economy, their success will be limited by how much they invest in this critical subset of leadership.