

What Lies Ahead for Start-ups in Southeast Asia?

2024 H1 Outlook and Leadership Challenges

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Introduction

In sync with the global market, 2023 has been a tough year for many VCs and start-ups in Southeast Asia. As toasts are made for the new year, we are keen to understand what might lie ahead in 2024 for this promising, yet still young, ecosystem. With this purpose in mind, at the end of 2023, the Kingsley Gate team conducted several interviews with some of the active players in the region.

Key topics discussed include:

- 2024 outlook for start-ups around the region
- Most pressing talent challenges in the market
- Critical leadership competencies in the highest demand for start-up/scale-up executives



What will the first half of 2024 look like for the VC/start-up market?

Many start-ups will face fundraising challenges in early 2024, which is likely to trigger more bankruptcies and market consolidations around the region. The market correction will probably stay, and many VCs in the market believe the days of skyrocketing valuations are gone forever.

The majority feel the fundamentals of the market are unlikely to change dramatically during the first half of the year, while some are hopeful that the condition will improve slightly from the previous year. Uncertainties caused by macroeconomic situations and geopolitical conflicts are not to be resolved soon. And to add more complexity to the puzzle, in a US election year, the market might take on a 'wait and see' attitude (again).

Start-ups that are not able to raise funds will run into further cash flow problems to keep operations going. VCs have increased their level of scrutiny on start-ups, and only those who can excel at performing a balancing act in the profit-growth game and convince investors about their long-term potential will be able to acquire funds needed for their survival/expansion.



What are the most pressing talent challenges in Southeast Asia?

Southeast Asian start-ups have enjoyed solid growth for the past 10 years, and many of them are led by first-time founders and their teams. These founders will need to show that they are up to the task of bringing their firm to its next stage and gearing toward a successful exit.

Founders of Southeast Asian start-ups have gotten used to high growth during the past decade, and many are unfamiliar with safeguarding profitability at the same time. *“There is a great need for founders and their teams to switch their mindset in order to meet the expectations of investors and capital markets alike,”* commented Angela Toy – Portfolio Growth Partner at Golden Gate Ventures. But the truth is that many founders have yet to realize that they will not be the ones to see it through to the end. VCs in the region are already actively holding these often difficult and highly charged discussions.

For early-stage start-ups, it is also particularly challenging to convince executives with the right experience, skillsets, and motivation to join these companies, given that many are seeking stability as a priority in the current economic environment.

Compared with the US VC/start-up scene, the Southeast Asia market is still maturing on many fronts. There are executives who are attracted to the idea of building something by joining an early-stage start-up, however, conversations often break down at the compensation negotiation stage. Most executives are still struggling with the formula of low cash payout with high equity components, which is unsurprising as equities in Southeast Asia are not as highly valued as they are in the US. In this young ecosystem, people are yet to witness successful IPOs and exits to be convinced there are great values attached to start-ups' equities down the road.

Until then, not all is lost. With the support of VCs, founders can still play a role in attracting the right talent. *“It is the job of founders and their talent heads to tell a strong story with a clear vision, educate candidates on the value of ESOP (employee stock value options), build a strong culture and convincingly justify the value of their offerings,”* shared Cheryl Liew – Head of Talent at Monk's Hill Ventures.



Many early-stage start-ups are in an urgent need to build up their financial capabilities, but great CFO talent remains hard to attract.

For many start-ups, founders/CEOs have been acting in the CFO capacity to lead financial planning and fund-raising activities. Eventually, these young companies reach a point where financial capabilities become make-or-break differentiators. *“For example, it is critical to express financial results in a way that enhances the narrative for fundraising and establishes foundations for continuously driving profitability and growth,”* highlighted JinA Bae – Managing Partner at Abound Capital. However, few CFO candidates in the market are ready to take the risk of joining an early-stage start-up, and/or their ask on compensation can be extremely difficult for companies to swallow. On a positive note, the skillsets of CFOs are mostly transferable across sectors and continents creating a large talent pool for start-ups to search and explore.

Other in-demand talents mentioned in interviews also included enterprise sales professionals and tech experts with the capability of leveraging generative AI.

What are the top leadership competencies needed for start-up executives to succeed? And how to improve these competencies?

Founders and executives of start-ups should get out of the ‘fly solo’ mode, and learn to lead their teams to work collaboratively toward a common goal.

People leadership entails many components, but within a start-up’s context a few of them take precedence:

- Ability to influence and motivate, empower, and delegate
- Ability to manage performance and build team capabilities

It can be hard for founders to remember that they do not always have to be the smartest person in the room, which is understandable as they have been mostly working with very few close associates thus far. As the business grows larger, a myriad of issues come up, and it is just not possible for one to handle it all. It is also often counterintuitive for founders and start-up executives with strong technology or market experience to give equal attention to people matters. Without proactive and effective management, it will take a long time for a group of people to become a real team (or it might not happen at all, in many cases).

On the other hand, founders and start-up executives are the North Star of their organizations as their ambition and inspiration give directions to others and determine the future of the company.

Surrounded by noises and ambiguity, it is crucial to be able to keep one’s vision, be resourceful and have a strong bias towards action. At the end of the day, there will be mistakes and failures along the way, but successful founders will capture the lessons learned and quickly move on to their next challenges.



Being a founder is a lonely journey but the help and support needed to improve oneself can be found all around, either in a guided feedback-reflection exercise or through formal mentorship/advisership.

Self-improvement starts with self-awareness. Despite the founder's busy schedule, it is beneficial to set aside some time to reflect on one's successes and mishaps, strengths and weaknesses. It is also important to ask for feedback from various stakeholders (peers, investors, team members, etc.) and be open to critique – but without simply submitting to external pressures. Many also find it worthwhile to have regular discussions with mentors or trusted advisors who have experience in managing similar challenges. They can not only provide valuable counsel, but these conversations might be helpful to support founders' mental well-being in the long run.

What advice do VCs give to people who want to join the leadership team of a start-up?

As in many other businesses, a warm introduction through networks is the best and fastest way to get to that first meeting you need which could open the door to other valuable avenues. Engage all stakeholders (investors, advisors, partners, etc.) of your targeted firm and be clear about what value you can bring to the table.

Executives with both big-tech and start-up experience are often considered the best fit for leadership positions in a start-up business as they have lived in both worlds and can bring discipline and processes to a young organization while adapting to a hands-on, dynamic, and fast-paced working environment. However, it is certainly possible for people to join and excel in this exciting space without previous experience, and the key is to have the right mindset to be agile and effective in a setup where time and support are, more often than not, very limited. *“Your desired role may not be open or defined immediately but putting yourself in the mix will pay-off in the future.....Avoid romanticizing start-up life and be mindful of the challenges (i.e. less resources and brand power) of working for a young company,”* advised Herston Elton Powers - Founding Managing Partner at 1982 Ventures.

Upon discussing the leadership realities of start-ups in the region, several practical suggestions emerged, based on our decades of experience in Executive Search and Leadership Advisory

01

Conduct leadership assessments for founders and other executives to increase self-awareness, identify areas of improvement, and help investors benchmark talent in the market.

02

Form mentorships with industry leaders who bring extensive experience in leading and building people capabilities, as well as managing organizational performance. Despite operating in different environments, leadership knowledge and experience are often relevant and referenceable in various scenarios.

03

Link increases in compensation to concrete milestone achievements (e.g., fundraising, customer acquisition, revenue generation). This approach helps ease the money constraints of start-ups while providing executives with the possibility to gradually increase their take-home pay toward their desired level.

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About Kingsley Gate

Kingsley Gate is a leading global, private equity-backed executive search firm that puts decision-making at the center of its approach to identifying, evaluating, and selecting executive leaders.

Headquartered in New York, the firms' consultants have helped over 1,700 client organizations successfully hire and onboard thousands of high-impact, decision-making executives across all industries, functions, and markets. [To learn more visit kingsleygate.com](https://www.kingsleygate.com)

