

Largest FinTech unicorns in Asia are spending up to USD 45-50 million p.a. in hidden replacement costs due to high employee turnover rates

Quinlan & Associates sees the lack of a robust HR strategy and operating model as a critical miss for high growth startups in APAC, creating increased regulatory and reputational risks

Hong Kong, 31 August 2020 – Quinlan & Associates, a leading independent strategy consultancy specialising in the financial services industry, has released a report looking at the impact of a poor Human Resources (“HR”) strategy and operating model on growth and late stage startups in Asia Pacific.

The report, titled *The Human Factor: Future-Proofing Corporate Growth with a Bullet-Proof HR Strategy*, looks in detail at how weaknesses in HR practices at many growth and late stage startups are exposing them to major productivity bottlenecks, sizeable regulatory and operational risks, and impacting future strategic planning efforts.

‘Despite impressive headline growth numbers, we have found that many growth and late stage companies do not have a robust HR strategy and operating model in place to properly support their scaling aspirations. In particular, many of these firms lack robust HR policies, processes, and systems (“PP&S”) across the entire employee lifecycle.’ said Benjamin Quinlan, CEO & Managing Partner of Quinlan & Associates and lead author of the report.

‘The risks associated with deficiencies in HR protocols cannot be underestimated. Our discussions with numerous large-scale FinTech companies in Asia revealed that many had run into considerable problems with national regulators. Some were forced to suspend their hiring plans, while others have been slapped with punitive fines, severely hampering their growth efforts. Moreover, the reputational fallout with having a poor “people culture” has adverse consequences for employee morale and a company’s public image,’ said Yvette Kwan, COO & Partner of Quinlan & Associates and report co-author.

The report highlights the recent statement made by Singapore’s Ministry of Manpower (“MOM”) on 5 August 2020, in which it announced it will be scrutinising more companies suspected of engaging in discriminatory hiring practices to ensure Singapore citizens are being treated fairly in the employment and promotion process. 47 companies are currently on the MOM’s watchlist, with a further 240 under investigation for possibly pre-selecting foreigners for jobs or not giving Singaporeans a fair chance at advertised positions. The authors believe the prioritisation of local workforces will become an increasingly common policy response in light of rising unemployment due to the global economic slowdown stemming from COVID-19.

‘In addition, the absence of clear protocols around compensation, promotions, and performance evaluation, which are often viewed as a “black box” by startup employees, is having a material impact on staff engagement. This is typically exacerbated by loosely defined roles and responsibilities as personnel take on multiple tasks in response to rapid scaling and continued product and service pivots. As a by-product, employee satisfaction – and ultimately, retention – suffers, creating challenges around business continuity while driving up hidden costs. Poor satisfaction is a very common concern for employees in many growth and late stage startups.’ continued Mr. Quinlan.

The authors estimate that some of the largest regional FinTech unicorns in Asia Pacific are spending up to USD 45-50 million p.a. on hidden employee replacement costs due to exceptionally high staff turnover – up to 20% p.a. for some of the leading FinTech players, considerably higher than the incumbents they are trying to disrupt.

The report concludes that companies need to take a more proactive stance with respect to the development of their HR strategies and operating models, particularly with respect to their PP&S efforts. Not only will this help organisations reduce their compliance and reputational risks (in particular, by ensuring they are fully compliant with national regulations), but will also ensure they can both attract and retain the best talent to support their growth ambitions, especially in markets like Asia where the FinTech talent pool is relatively slim.

About Quinlan & Associates

Quinlan & Associates is a leading independent strategy consulting firm specialising in the financial services industry. The Company is the first firm to offer end-to-end strategy consulting services. From strategy formulation to execution, to ongoing reporting, communications, and employee training, Quinlan & Associates translates cutting-edge advice into commercially executable solutions. With a team of top-tier financial services and strategy consulting professionals, and a global network of alliance partners, Quinlan & Associates provides its clients with the most up-to-date industry insights from around the world, positioning the Company as a leader in its field.

For more information, please visit www.quinlanandassociates.com.

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