Hypergrowth: What SMEs Can Learn From Startups

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In terms of sheer growth, startups scale differently from your average SME because the former's markets tend to be massive.

So do SMEs have nothing to learn from "hypergrowth"—the point at which a startup's compound annual growth rate (CAGR) reaches 40% or higher. (By comparison, normal SMEs can expect less than 20% CAGR.)

The short answer is yes. The same tools that startups use to scale rapidly can be used by companies at any stage to ensure long-term viability amidst a VUCAH (volatile, uncertain, complex, ambiguous and hyper-connected) business landscape.

SMEs do have plenty to learn from startups: the following actions by startups to achieve jumpstart growth can be adopted by SMEs to survive and scale amidst an environment full of large-scale uncertainties.

1. Leverage a Product or Service Innovation

While SMEs do not deal with the same expansive markets faced by startups, the former can nevertheless learn from the drive of startups to understand their market and develop innovative products or services to match.

Understanding customers' mobile use, for example, led Singaporean ecommerce startup Shopee to conceive itself as a mobile-first experience."To connect and build loyalty with customers means to continually engage them with exciting mobile experiences," explains

Terence Pang, chief operating officer at Shopee.

Shopee's approach to consumer-led innovation can also be emulated by SMEs, even those in a non-tech space. They can start by deploying design thinking to get to a point where product innovation can secure their business. This process combines empathy with users and an experimental mindset to get to products and services that make authentic connections with customers.

Ideating and prototyping solutions based on empathy-driven insights follow shortly thereafter, allowing the creation of ideas that are both economically viable and uniquely adapted to your market's needs.

2. Build a Scalable Business System

Both hypergrowth-focused companies and SMEs reach a crossroads when the time comes to scale their business. What works for a small organisation may not necessarily work as the company grows; their survival moving forward may depend on developing effective business systems that succeed at scale.

SMEs can take a page from startups that prioritise a simple business model to ease that transition. A review conducted by the World Economic Forum found that simple business models allow startups to lock onto hypergrowth from any stage of development, and develop continuously without stalling. Simplifying the business model also calls for single-minded metrics to help company leaders set goals and measure performance.

Simplicity and focus were essential to Indonesian tech startup Gojek's stunning hypergrowth, from ten orders per day in 2010 to 38 million monthly active users as of 2020. As the app expanded from summoning motorbike taxis to enabling payments to courier services, the company retained a simple value proposition (a one-stop-shop for multiple needs) and a single North Star Metric (NSM) to measure and plan growth.

"It's the one metric that matters and captures the value of a product that can be delivered to the users," explains Puti Ara Zena, Gojek's Head of Growth. "For Gojek, it's the number of completed orders—we always want to increase these numbers."

While SMEs may not even aspire to the same scale as today's Gojek, they can nonetheless adapt the same single-minded focus on simplicity and metrics that ensured the latter's long-term growth trajectory.

3. Create a Compelling Culture and Mission

Both startups and SMEs recognise that scaling and maintaining company culture is a major enabler for talent. Direct executive influence, after all, is finite: even smaller, flatter organisations cannot expect to take direct charge of employees' mindsets and outcomes, how much more so when a company scales from 10 to 1,000 plus employees?

That's why startups focus so much on defining and propagating company values, purpose and vision—an effort that should help SMEs as well. After all, research shows that a team motivated by a common mission remains engaged and productive even through adversity. Values, when clearly stated, align different individuals to a single purpose that they can rally around.

Radical honesty shapes Singapore car sales startup Carro's corporate culture, which filters down to the company's own org chart. "The most important part of our company culture is to embrace openness," explains Aaron Tan, Carro's CEO. "So if we're not doing a good job, we want to understand why and find a way to do better by listening to as much feedback as possible."

Carro propagates its company culture through small, region-specific teams that also communicate company-wide guidelines and field local concerns. These open channels have created an internal culture where there's no downside for evidence-based honesty, even from the rank-and-file to executives like Tan. "I don't think we have an internal issue where people don't speak up," Tan says. "For me, it is about making sure people give useful feedback."

Take the Good From Hypergrowth

It bears reminding that startups' focus on hypergrowth does not map well onto SMEs' key priorities.

For one thing, startups in hypergrowth prioritise increasing revenue above all else, and aim for profitability only after the hypergrowth stage is over. This means that investors in such startups can wait for years before ever seeing a return. (Gojek, for instance, can only say it's "on a path to profitability" ten years after its founding.)

Startups are also notorious for high-pressure work environments that lead to burnout and quick employee turnover; SMEs must avoid this to ensure the kind of healthy work-life balance that guarantees success for the company in the long run.

SMEs can pick and choose the parts of these hypergrowth principles that work for them. As long as they don't forget the need for sustainability and the greater good of company stakeholders, SMEs can leverage a startup mindset to aim their organisation towards long-term viability and success.

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