

DOES ASIA DESERVE YOUR HEAVIEST HITTERS?

*Identifying Game-Changers to Transform Your
Global Business and Deliver on Asia's Promise*

ASIA
PACIFIC

CHALLENGES OF A "GLOBALIZED ASIA"

Continued expansion in the Asian markets – largely into China and India – is changing the way firms everywhere are building their businesses and talent pipelines regionally. Imagine: you are leading a \$50 billion multinational and expected to create \$2-3 billion in new revenues every year, of which a few hundred million needs to come from Asia. Is it enough to lean hard on your high-powered sales and marketing teams and a metrics-driven, quarter-to-quarter sales culture? How will you address rising competition from Asian manufacturers who are even more aggressive and armed with high-quality yet cheaper products?

These and other dilemmas have made smart companies recognize that they cannot afford to wait for leadership development programs alone to produce the next generation of innovative executives needed to run their “emerging Asian strategies” in an increasingly global context. Indeed, companies in Asia will not meet their growth targets by sticking to the standard formula of simply selling more products to local customers and thus they are asking themselves what can be done to innovate *from Asia* in order to secure competitive advantage for the future.

Compounding all of this is the question of how to manage the increasing competition for talent as more Asian-based companies begin “going global” and searching for the same small pool of world-class talent as their Western multinational counterparts. Haier, Lenovo, TCL, and Huawei are just some of the

Chinese companies using strategy firms to guide their growth and management processes in order to attract and retain top talent. What will the impact on Asia's competitiveness be when these and other Asian-based giants begin to attract the best and brightest from amongst China's emerging network of software developers, brand marketers, designers, IT services providers, and manufacturing outsourcers, talent that today goes to companies like Google, Motorola, and Cisco?

Asia's Leadership Paradox

With the very real influence Asia is having on the global business environment, we're faced with the harsh reality that there simply are not enough internationally minded, innovative executives to deliver on its promise¹. It has been common practice in recent years for multinationals to send high-potential managers to Asia in “development roles,” after which they would be prepared, theoretically, to assume more senior positions back at corporate headquarters in the U.S. or Europe and to share their understanding of the diverse Asian business landscape. But as the frenzy around tapping the Asian market continues, we and our colleagues at Korn/Ferry International have seen another trend among the most forward-thinking companies: Appointing heavyweight “global” executives to Asia-based “corporate officer” roles – i.e., roles that are one, possibly two, levels removed from the CEO, and designed to drive the company's strategy, innovation, and global business units from Asia. Will companies that make the biggest decisions from

¹ When asked to rank geographic markets according to their influence on the current global business environment, 72 percent of the more than 330 CEOs who participated in a survey conducted by Korn/Ferry International and the Economist Intelligence Unit, *The Dream Team: Delivering Leadership in Asia*, in late 2006 rated non-Japan Asia as the most significant, while 64 percent voted for the U.S. Notably, Western Europe ranked third (33 percent), followed closely by Japan (26 percent). Only 24 percent of surveyed executives in the same KFI-EIU study gave Asian business leaders a top score for excellence in driving innovation, although Japan's leaders are the regional exception (selected by 34 percent of respondents).

the region outpace their counterparts which continue to centralize strategic decisions in head offices ten thousand miles away?

Here are just a couple of highly publicized examples:

- **IBM** vice president and chief procurement officer, John Paterson, relocated from New York to Shenzhen, China, in 2006². He oversees the company's global procurement function consisting of around 5,000 employees in more than 80 countries and has a \$40 billion worldwide spend. **Nortel's** Chief Purchasing Officer made a similar move.
- **Cisco Systems** recently announced that it will deploy 20 percent of its top executives to India. John Chambers, Cisco's CEO, appointed Win Elfrink, Cisco's Chief Globalization Officer and one of his direct reports, to lead the effort³. The decision was reportedly driven not by cost considerations, but

by the importance of India, Asia and the emerging markets in the development of world-class technology and game-changing business opportunities. By today's standards, this move is a huge investment with significant impact on all aspects of the company's operations.

Western or Asian, these and others are seasoned professionals with deep experience in running complex businesses in Asia and immersed in Asian and Western value systems and business practices. All were handpicked for the challenge to transform growth in Asia – and globally from Asia. They are among the most experienced and senior leaders in their respective organizations.

² SDA Asia 16 October 2006, *IBM Moves Global Procurement Office From New York to China*

³ Mini Joseph Tejaswi 28 March 2007, *Cisco Top Brass set for India posting* The Times of India

⁴ Global Broadband Statistics Database

MEGA-TRENDS IN ASIA'S TECHNOLOGY MARKET

■ Exploiting the Digital Divide

Of the world's 6 billion-plus people, just 283.1 million have broadband, a mere 4.7%⁴. We've barely begun a process in China and India that may eventually result in broadband penetration approaching levels now enjoyed by Korea and Japan. How will developments in Wimax, 3G and other technologies in the emerging markets change business models and assumptions about competition? Which existing and new companies will reap the benefits? Will these new multinationals look more Asian, Western, or some combination?

■ "Designed in Asia"

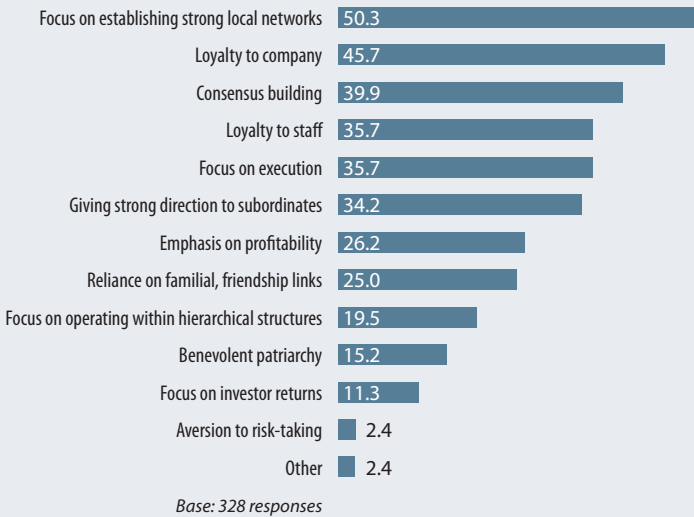
As Asian consumers become more sophisticated and confident, multinationals recognize that the days of simply introducing products designed in the West are numbered. More companies are setting up design capability and product development in Asia to understand the unique appetites and trends in the local markets while taking advantage of the opportunities to re-launch concepts that were not well received in other regions. Take Motorola's Beijing design team, which launched a PDA phone called "Ming" in early 2006. Ming was specifically targeted at the highly mobile Chinese urban professional and offered excellent Chinese character recognition software and a two mega-pixel camera capable of reading business cards. These local features helped Motorola gain 50% share of the high-end PDA phone market despite the Ming's relatively high price. The examples are not limited to technology and span across almost every

industry. Coke and Pepsi, in an effort to derive more revenues from new products, have established innovation teams in China to develop drink products appealing to Chinese customers at lower price points. By not restricting the team to the usual hurdles assigned to R&D centers in mature markets, these teams were left to focus on the unique needs of a newly empowered Chinese consumer base. The result in both cases was the development of new formulations and local sources of supply that served not only China but other developing economies around the world. Coke used the experience of China to establish a new distributed model for product innovation – a network of R&D centers around the world, each with a focus on a unique set of core competencies. These companies then flex their muscles in manufacturing, marketing and distribution to bring these products to market.

■ **GM's Pan-Asia Technical Automotive Center in Shanghai** redesigned the Buick LaCrosse for China, which today is on track to sell more than 100,000 units in its second year in production and almost has become the default executive car of choice, while in the U.S., sales of the LaCrosse are not expected to ever cross the 100,000 unit mark. As the success of this "designed in Asia" model continues, there will be greater demand for top notch industrial designers, R&D engineers and marketers than the supply. This again will require companies to base their key leaders here to oversee the execution of their new market expansion strategies.

ASIAN LEADERSHIP STYLES

Which “Asian” leadership styles should Western leaders adopt to successfully run a business in Asia, in your opinion?



WESTERN LEADERSHIP STYLES

Which “Western” leadership practices will be the most critical to Asian companies seeking to “go global” in your opinion?



Source: The Dream Team

THE GAME CHANGERS:

Bringing a “Fused” Approach to Turning Today’s Asian Companies into Global Success Stories

In the Korn/Ferry survey cited earlier, most global CEOs believe that their senior-most leaders in Asia, regardless of nationality, will need to possess a blend of Western and Asian leadership qualities to succeed. Asked to describe the ideal “Asian” leadership styles that Western leaders should adopt when running successful Asian businesses, CEOs responded by suggesting a “focus on developing strong local networks” and the need to demonstrate “loyalty to the company.” Conversely, Asian executives need “the

ability to empower employees to take initiative and act independently” and “strategic vision,” qualities commonly ascribed to Western leaders. Without a doubt, the Game Changers, well-versed in the basics of both Western and Asian values, understand the importance of impacting shareholder value through bold, high-impact strategies in Asia while also demonstrating down-to-earth operational effectiveness, qualities appreciated by Asians and without which support within Asia will be impossible.

IDENTIFYING GAME CHANGERS TO DRIVE A WINNING STRATEGY FOR ASIA AND BEYOND

How can you identify executives on your team who can fill these “game changing” roles? We and our colleagues have identified a number of characteristics and related emotional and professional competencies that are common amongst heavy hitters like those cited above.

- A Sense of Context.** These leaders understand the world around them, how it’s changing, their role in the organization, and how to generate alignment. This quality links ‘getting the big picture’ to ‘making it happen’ in a way that is reality based. They are comfortable with change. When they don’t know something, they ask the right questions or empower others to find out. They combine big thinking with organizational savvy. Competencies

include: business acumen, organizational agility, dealing with ambiguity, strategic agility, perspective, and the ability to learn on the fly.

- Passion for Customers.** These executives find ways to build the organization around the needs of customer. They deal with the biggest issues underlying consumer behavior and have the will to turn the organization upside down to deliver the right product to them. Competencies include: innovation management, ability to impact customers directly, action orientation and drive for results.
- Credibility and Trust.** Sound relationships, beginning with the CEO and the Board, allow faster decisions, quick adjustments in strategies and ex-

pectations, and a much more aligned management team. We've seen more Asia-based executives fail due to an inability to manage upwards than for any other reason. But managing downwards matters just as much. Their actions match their words. Competencies include: strong ethics and values, composure, compassion and personal disclosure.

- **Ability to Build and Mobilize a Powerful Network.** These top leaders seek out the best thinkers internally and externally and routinely find the time to raise big issues, brainstorm problems, seek counsel, and test ideas. Influence and power resides within their networks. This is true especially in Asia, where the ability to develop and access strong personal networks is viewed as the difference between success and failure. Competencies include: managing diverse relationships, motivating others, negotiating, and being open and receptive.
- **Managerial Courage.** This quality is on everyone's list, but is often not tolerated without a heavy

dose of credibility and trust, as stated above. The Game Changers might take risks and their actions can be unorthodox, but eventually they win the support of others. Competencies include: conflict management, standing alone, and making tough people decisions.

SUMMARY

If more than half the world's population lives in Asia, at what point will multinationals begin to talk of delivering half their revenues from Asia? If such a revenue goal is absurd or decades away, then at what point will your company begin to think in terms of drawing half of its intellectual capital from Asia, perhaps not such an absurd goal, given the mega-shifts taking place – and favoring Asia – in outsourcing, supply chain, R&D, information technology, and out-of-the-box business models. High potential leaders exist in companies of all sizes and shapes and in all industries, but the true game changers are those who will help re-configure their organizations – successfully and dramatically – to the rapid changes in the world around them.



MIKE BEKINS
is Managing Director of Korn/Ferry International, Hong Kong, and Leader of the Firm's Asia Pacific technology practice. He can be reached at mike.bekins@kornferry.com



MIKE LIM
is Client Partner specializing in Korn/Ferry International's technology practice, based in Beijing, China. He can be reached at mike.lim@kornferry.com

ABOUT KORN/FERRY INTERNATIONAL ASIA PACIFIC

Korn/Ferry International, with more than 70 offices in 40 countries, is a premier global provider of talent management solutions. Korn/Ferry was the first major U.S. executive search firm to operate in Asia Pacific when it opened its doors in Tokyo in 1973. Today it has 17 offices in key business centers throughout the region, including: Auckland, Bangalore, Bangkok, Beijing, Guangzhou, Hong Kong, Jakarta, Kuala Lumpur, Melbourne, Mumbai, New Delhi, Seoul, Shanghai, Singapore, Sydney, Tokyo and Wellington.

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