

Asia 2.0

Leading the next wave of growth in Asia

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Asia has emerged as the new center of global economic growth, which is now being driven by rising consumption and increased innovation across the region. This portends major changes for business talent and leadership by 2025. Western multinationals and Asian enterprises who want to expand in the region must develop their own flexible, creative, and collaborative leaders—a group currently in extremely short supply.

Asia is poised to drive the world's economic growth in the wake of the global financial crisis. At the same time, seismic shifts are transforming the region's economic and talent landscape. In the coming years, growing business in Asia will demand types of leadership that Korn/Ferry International research shows are in scarce supply.

For the last two decades, Asia's unprecedented growth largely stemmed from its role as a workshop to the world. Low-cost labor attracted foreign investment, and companies shifted their manufacturing and back-end operations to the region to provide cheaper products to seemingly insatiable Western consumers. Jobs, incomes, and economies flourished across the region. But that was Asia 1.0—and all those engines are losing steam.

Now it is Asian consumers who are at the forefront, and they have unique and increasingly sophisticated needs that are changing the way companies create, design, and market products. This new growth model is Asia 2.0. Yet only a small fraction of executives and managers in the region currently have what it takes to succeed in this markedly different environment.

Consider the dilemma of one American pharmaceutical multinational that is changing tack in Asia. This company started off with a small sales team in Asia and later built several manufacturing plants in China, Thailand, and Korea during the 1990s to lower its production costs. The senior management team in Asia had three straightforward mandates: sell U.S.-developed drugs in Asia, make sure the factories and supply chain ran smoothly, and supplement U.S.-based clinical trials with small Asian ones.

Fast-forward to Asia 2.0. The pharmaceutical company now wants to build a full-spectrum business in Asia and aims to earn 50 percent of its global revenues from this region by 2020. The company plans to set up research and development labs in Asia to originate new drugs, conduct Asia-based clinical trails for locally developed drugs, and find ways to reach Asia's emerging vast, under-served middle class customers. They also want to develop treatment for ailments prevalent in the Asian population.

One big problem: the talent crunch is miring the company's expansion plans. "Talent is our rate-limit on growth in Asia," says the company's Asia CEO. "To grow full-spectrum businesses, we need leaders who have the skills, experience, and capabilities that go beyond the traditional business leaders we have in Asia. We have strong technical and functional talent on our Asian bench, not the talent we need to create new growth in Asia." The company has tried to bridge the gap with American expatriates, but its growth ambitions call for more talent with local knowledge, the CEO says. "I am concerned that we just may not have enough talent to fund our growth expectations in Asia."

The talent pool for Asia 2.0 leaders is extremely shallow. Companies that want to tap Asia's next phase of growth have plenty of work to do if they want to build a new cadre of managers capable of success.

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Three shifts: consumption, innovation, talent

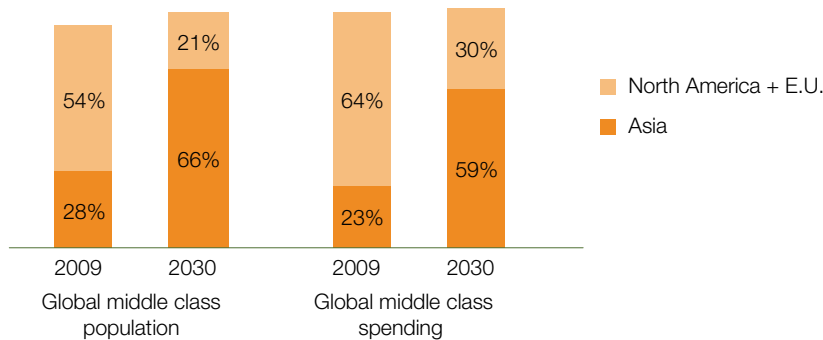
Asia's export-led economies used to track their core Western markets, but there has now been a historic and critical decoupling: the region's economies emerged largely unscathed by the financial crisis, and then posted strong gains despite laggard growth in the U.S. and Europe. Domestic consumption, domestic investment, and intra-regional exports are now driving growth (Asian Development Bank 2010).

This consumption shift is the most critical change underway. Asia's middle class is growing at a frenetic pace. Over the next two decades the bulge of the world's middle class will move: Asia will be home to 66 percent of the world's middle class by 2030, up from 28 percent in 2009 (Kharas and Gertz 2010).

Figure 1

Asia's growing middle class

Asia's middle class is growing at a frenetic pace. Within 20 years, the majority of the world's middle class will be in Asia, and that group will account for an estimated 59 percent of middle class spending in the world.



It's easy to see why multinational corporations looked largely to the West for so many years: in 2007, for instance, U.S. consumers spent \$429 billion on clothing and footwear. Consumers in India and China, combined, spent less than a third of that (Fairfield, He, and Quealy 2008). But the change underway is undeniable. If companies want to chase growth, however, they have to refocus on Asia's booming middle class.

The second big shift is in innovation. We are already seeing movement: multinationals such as Novartis, Abbott, Cisco, IBM, and GE are pouring millions of dollars into research and development facilities in Asia. Asian companies, meanwhile, are leveraging decades of experience in tech manufacturing to become leaders in new technology development. China is set to surpass the U.S. and Japan in new patent applications by 2011 (Thomson Reuters 2010).

Frugal innovation, in particular, is a key part of this trend: companies that manufactured everything from electronics to automobiles are now creating affordable products for customers at the bottom of the pyramid. There are early signs of success. Consider the Tata Nano, the \$3,000 car that was conceived and developed in India.

All of this adds up to a workforce shift. Where Asian managers were focused on building and retaining a productive, low-cost workforce, now they must develop a creative pool of talent to deliver new ideas.

The shift has begun. China alone is already home to more than 1,200 foreign-invested research and development centers. Technology and professional services companies like Accenture and Cisco are scaling up their presence in India. For multinationals, Asia 2.0 also will herald a bevy of strategic international leadership jobs based in Asia. Meanwhile Asian companies that have acquired assets in Western markets, such as the Tata Group in India, LG in Korea, and Huawei in China, are starting to reshape their talent management capabilities to build leaders capable of running a global enterprise.

'Inbound' and 'outbound' companies

Two types of companies are seeking to gain a competitive advantage from Asia's projected growth. The first group are the "outbounds"—aggressive, acquisitive Asian companies that are building a global business, often by snapping up foreign brands or assets (in both developed and under-developed markets).

Early outbound moves were aimed squarely at assets in developed Western markets: India's Tata Group, for example, made headlines by snapping up Jaguar Land Rover in 2008, as did Chinese appliance maker Haier, when it bought Maytag. In 2010, Chinese automaker Geely bought Volvo and India's Reliance Industries paid \$1.7 billion for a 40 percent stake in U.S.-based Atlas Energy. But Asian companies are now eyeing emerging markets with high growth potential: the \$10.7 billion

acquisition of telecom firm Zain Africa by India's Bharti Airtel, for instance, was one of the biggest mergers and acquisitions deals of 2010. All told, the value of outbound

M&A from Asia doubled in value between 2006 and 2010.

Another set of outbound companies includes the likes of LG and Samsung—strong Asian competitors who are leveraging new technologies, cost efficiencies, and innovation to build top-tier global brands from within.

The second group are the "inbounds"—multinationals who now view Asia as a global hub. A growing number of companies are moving their global headquarters to Asia, shifting innovation and research capacities here and leveraging the region as a center for consumer insight. Cisco Systems, for example, has recently appointed a chief globalization officer and decided to place that executive in Bangalore. "The emerging Asian markets require a new approach, which is why we have focused resources on getting closer to the growth, innovation, and talent that is coming out of this part of the world," said Cisco's CEO, John Chambers (Economist Intelligence Unit 2010).

The strategies of Asia's outbounds and inbounds differ—but both need executives who are Asian and global.

Figure 2
Models for growth in Asia 2.0

	Core Asia 2.0 strategy	Early movers
Outbounds	Extend local success in Asia to global presence (in developed and under-developed markets)	Samsung, LG, Tata Group, Infosys, Singtel, Huawei, Acer, and HTC
Inbounds	Rebalance the global business model by shifting the center of gravity towards Asia	Cisco, IBM, Novartis, HSBC, Kraft/Cadbury, Unilever, and GE

The strategies of Asia's inbounds and outbounds differ—but both are targeting the same talent to lead their Asia 2.0 growth strategies. Both need executives and managers who are Asian and global.

Western multinationals no longer have the upper hand in attracting top talent. Smaller, nimbler Asian companies often can offer more exciting opportunities: a manager in a large multinational could sit in their silo for years, while a manager at a fast-moving Asian operation might have more opportunity to shine. Capital market conditions are also better in Asia, so local companies also are able to woo top-tier candidates with early-stage stock.

Companies of all stripes are striving to buy and build future 2.0 leaders. IBM's new five-year general manager boot camp includes extensive exposure to Asia; a host of Asian companies, from Tata Group to China Investment Corp. are actively recruiting from the likes of Wharton and Kellogg. Samsung alone hired fifty non-Korean MBAs from Ivy-league business schools in 2009, double the number in 2008 (Conlin 2010).

Shortage of Asia 2.0 leaders

Asia's growth requires a breed of leader with new capabilities, strengths, and management styles. Consider the differences in creating a business strategy: in Asia 1.0, leaders typically had to replicate or customize a strategy honed in the West to the local market. To succeed in Asia 2.0, they'll need to craft a strategy to tap new or underserved markets. The same goes for developing products: it used to be about repositioning existing products in local markets; now it's about creating entirely new categories of products and services. Even team-building skills have changed: the disciplined, results-oriented, culturally homogenous team will give way to the high-performance teams that can operate in a global, multicultural environment.

Figure 3

Shift in leadership challenges

Six key dimensions where the skill sets of business leaders will have to shift to take advantage of the growth in Asia

	Asia 1.0 challenge	Asia 2.0 challenge
Strategy	Replicate/customize an existing strategy to a new market context	Craft a strategy to generate new growth in an underserved market
Execution	Scale up a proven execution platform with limited localization	Develop a new execution platform that can be scaled in new and diverse markets
Customer	Service established customer segments and needs	Build insights on new customers and unmet needs in the market
Product	Position/re-position an existing proposition in the addressable market	Use disruptive innovation to create new categories of products/services
Skills	Build/scale up a highly productive workforce with good technical skills	Build and groom a diverse and international pool of talent with creative skills
Team and culture	Build the discipline of performance and results in a culturally homogeneous team	Build a high-performance team in a global, multicultural environment

From years of working with executive candidates and corporations in Asia, Korn/Ferry has created a matrix of the most successful leadership styles of the past twenty years—and the next fifteen. Leaders who best met the Asia 1.0 challenges fall into the category of either the *Executor*, a highly directive, task-driven productive individual, or the *Controller*, a logical, serious, data-driven individual with strong attention to detail. In Asia 2.0 leaders, success will ride on the ability to handle multiplicity,

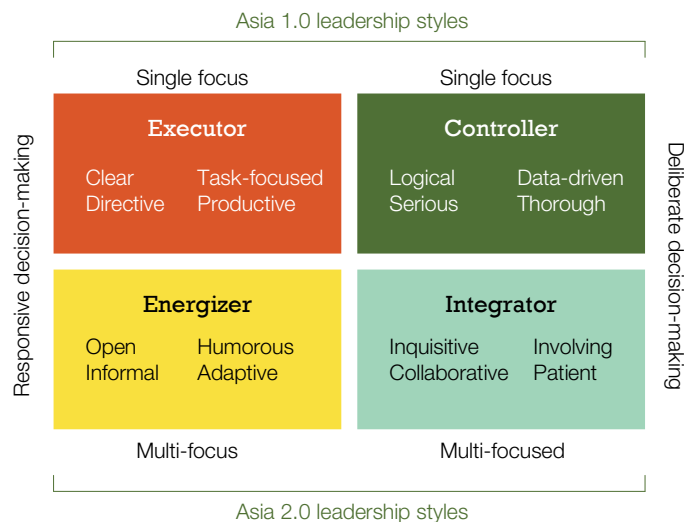
diversity, and cultural differences across their workforce and markets. The leaders most likely to succeed in Asia 2.0 will be the *Energizers* who use openness, informality,

humor, and adaptability to lead, and the *Integrators* who are inquisitive, collaborative, involving, and patient in their leadership.

The leaders most likely to succeed in Asia 2.0 will be the open and adaptable Energizers and the collaborative Integrators.

After interviewing scores of leadership candidates and corporations with years of experience in Asia, we've created a matrix where the four leadership styles of global leaders are built around two dimensions: focus and the style of decision making.

Figure 4
Four leadership styles
Asian 1.0 leadership relied on single-minded focus on plan, execution, and task. Asia 2.0 leadership success will depend on ability to handle multiplicity, diversity, and cultural differences.



Using these models, Korn/Ferry has analyzed the prevalent leadership styles of 100 top-level executives in China and 99 in India, and compared those to 1,000 global best-in-class executives. The picture that emerges is stark—and worrying. We found a clear dominance of the Executor-Controller style of leadership in both China and India; in contrast, the predominant leadership style of the best-in-class multinationals fall into the Energizer-Integrator camp.

The ability of companies to develop Energizer and Integrator leaders will be key to future success in Asia.

Figure 5

Primary leadership styles in China and India

While leaders do have a mix of all four styles and are able to use them in different situations, the predominance of the primary and secondary style is fairly evident in most situations.

C-suite executives	Primary	Secondary	Least used
Global best-in-class (n =1000 +)	Energizer	Integrator	Executor
China (n=100)	Executor	Controller	Energizer
India (n=99)	Controller	Executor	Energizer

The prevalence of the Controller-Executor in Asia is not due to Asian culture. Rather, it stems from the opportunities this generation of Asian leaders have had and the market conditions they’ve worked in. Indeed, many notable leaders of world-class global corporations are Indian with educational backgrounds not terribly different from our sample of Indian executive candidates. But the Indian chief executives of companies like Citigroup and PepsiCo have developed into Energizer-Integrator leaders because of the global management experience they’ve chalked up over the years.

To gauge the availability of Asia 2.0-ready talent in the region, Korn/Ferry also reviewed the results of 1,246 executive assessments and 642 managerial assessments conducted in Asia on top-tier finalist candidates over the course of a year. This included executives in senior Asia-wide roles and selected senior roles in major markets like India and China, and senior manager roles for local operations. We excluded Western expat candidates. We sought to quantify how many had the leadership styles needed to succeed in Asia 2.0, how many had qualities that could be developed, and how many lacked the styles entirely.

Figure 6

Asia 2.0-ready talent across the region

Reviewing assessments of 1,246 executives and 642 managers who were finalists for top-level jobs, we found that few had the competencies needed for the future.

	Clear strength in Asia 2.0	Some strength can be developed	Less developed for Asia 2.0
China (executives)	1%	16%	83%
China (managers)	1%	10%	89%
India (executives)	8%	21%	72%
India (managers)	8%	13%	79%
Rest of Asia (executives)	5%	19%	76%
Rest of Asia (managers)	4%	19%	77%

The results indicate the talent pool is shallow. In China, just 1 percent of executives and 1 percent of managers are ready to succeed in Asia 2.0. Another 16 percent of executives and 10 percent of managers could be developed—but 83 percent of executives and 89 percent of managers do not have what it will take to succeed in Asia 2.0. The situation is slightly better in India: 8 percent of both executives and managers have what it takes to succeed; another 21 percent of executives and 13 percent of managers can be developed.

The skills gap in Asia

Using Korn/Ferry’s large, proprietary competency database, we mapped out the exact strengths and weaknesses of Asian leaders and analyzed which are critical to success in Asia 2.0.

Asian leaders are not lacking in the necessary, core strengths, we found. It is their weaknesses that will get in the way.

All of the ten top weaknesses inherent in Asian leaders are critical to the coming phase of Asian growth, including personal learning, creativity, managing innovation, motivating others, and the ability to deal with paradoxes (such as dealing with centralization and decentralization at the same time, or handling premium branding while simultaneously looking for opportunities at the bottom of the pyramid). By comparison, only *two* of the common weaknesses found in Asian leaders—conflict management and managing vision—were critical to success in Asia 1.0.

Figure 7

How strengths and weaknesses play out in Asia 2.0

The skills that Asian leaders commonly lack simply weren’t critical to success before. But those missing skills are required now.

	Top 10 strengths of Asian leaders	Top 10 weaknesses of Asian leaders
Critical for leadership success in Asia 1.0	<ul style="list-style-type: none"> › Action-oriented › Perseverance › Drive for results 	
Critical for leadership success in Asia 2.0	<ul style="list-style-type: none"> › Approachability › Boss relationships › Customer focus 	<ul style="list-style-type: none"> › Personal learning › Dealing with paradox › Managing through systems › Motivating others › Developing others › Strategic agility › Creativity › Innovation management
Equally important for Asia 1.0 and 2.0	<ul style="list-style-type: none"> › Integrity/trust › Ethics and values › Functional/technical skills › Intellectual horsepower 	<ul style="list-style-type: none"> › Conflict management › Managing vision and purpose

Building a talent pipeline

Building an Asia 2.0 organization will have to be a priority for both “inbound” and “outbound” companies operating in the region. And yet time is short: it typically takes seven to nine years for a manager to assemble the skill blocks critical for success. Expat talent may fill the some short-term needs, but deep local knowledge will be critical moving forward. Companies are seeking ways to condense the leadership development process—in some cases to two years or less.

Decades of research into building business leaders has shown that 70 percent of development happens through challenging assignments, 20 percent through coaching, and just 10 percent through classes and training. Companies must devise ways to get their high-potential employees learning through experience. The China unit of one European electronics company is doing just that: it is sending Shanghai-based managers on “expat assignments” to more remote Western China.

Talent management systems too will need to be transformed. These systems previously focused on hiring candidates who fit current job specifications and developing their technical skills. The 2.0 talent system will need to focus on hiring candidates with experience to fit future leadership needs, assessing leadership style, developing self-awareness and emotional competence, and using structured challenges and “stretch” assignments to get them ready to be leaders.

Figure 8

Rethinking talent management for Asia 2.0

The 2.0 for talent management systems will be premised on a different way of thinking. This will not supplant 1.0 systems but expand on them.

	Asia 1.0 thinking	Asia 2.0 thinking
How to hire	<ul style="list-style-type: none"> > Fit with current job specifications > Educational background > Experience profile 	<ul style="list-style-type: none"> > Fit with future leadership needs > Diversity of experience > Behavioral profile
What to assess	<ul style="list-style-type: none"> > Competence > Performance 	<ul style="list-style-type: none"> > Leadership style > Learning agility/future potential
What to develop	<ul style="list-style-type: none"> > Managing skills > Rational thinking > Technical skills 	<ul style="list-style-type: none"> > Leading skills > Self-awareness > Emotional competence
How to develop	<ul style="list-style-type: none"> > Training > On the job learning > E-learning 	<ul style="list-style-type: none"> > Apprenticeship > Structured challenges/stretch assignments > Continuous feedback and coaching > Internal networking
Career growth	<ul style="list-style-type: none"> > Functional/linear > Uni-dimensional > Local 	<ul style="list-style-type: none"> > Cross-functional > Multidimensional > International

The world is entering a new economic era—one where Asia will be steering the engine of global economic growth. Those who address the issues of Asia 2.0 leadership talent now will have a jump on their competitors and be miles ahead on the road to new and expanding markets. Those who don't will be left scrambling to find the executives they need in an insufficient talent market. It will be up to companies to make sure their Asian leaders are ready to take the wheel.

Organizational path to Asia 2.0

The talent needed in the next fifteen years in Asia will need attention on all fronts: recruitment, retention, and development. These steps put companies on the path to readiness.

Build internal awareness

- › Build awareness of the changing face of growth in Asia, with a focus on customers, innovation, and talent.
- › Commit to building a “new breed of leaders” and draft the relevant success profile.

Test the talent pool

- › Ascertain the capabilities, potential, and leadership styles in the existing talent pool.
- › Map external caches of 2.0 talent in the industry.
- › Size up the gaps and formulate a buy/build strategy.

Configure a 2.0 talent system

- › Refocus talent management practices on accelerated talent development.
- › Equip the HR team with the appropriate skills for building 2.0 talent and engage the line managers in the process.
- › Develop the “thought-ware” to enable discussions on performance, potential, style, assessment, development, coaching, and staffing.
- › Provide a research-based platform to enable talent decisions.
- › Monitor the progress of 2.0 talent pool over time.

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The Korn/Ferry Institute generates forward-thinking research and viewpoints that illuminate how talent advances business strategy. Since its founding in 2008, the institute has published scores of articles, studies, and books that explore global best practices in organizational leadership and human capital development.

About Korn/Ferry International Asia Pacific

Korn/Ferry International, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East, and Africa, is a premier global provider of talent management solutions. Korn/Ferry was the first major global executive search firm to operate in Asia Pacific when it opened its doors in Tokyo in 1973 and today has 19 offices in key business centers throughout the region. Based in Los Angeles, the Firm delivers an array of solutions that help clients to attract, develop, retain, and sustain their talent.

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