

HARNESSING THE ASIA-HQ LONG-DISTANCE RELATIONSHIP: SIX PRAGMATIC INSIGHTS

Executives share insights and lessons learned on improving cooperation to compete and succeed today

Tim Hoffman, Danny Koh, Siang Yong Lim, Michael Rawding and Kitty Zheng

Asia has been an integral part of the growth story of many multinational technology, media and telecommunications (TMT) companies, and despite economic challenges in a few specific markets in the region, its substantial potential has yet to be fully realized.

How the next chapter unfolds for TMT multinational corporations (MNCs) will be dictated by how well they drive or respond to a changing competitive landscape, spurred by technology advancements stemming from fellow MNCs, and the increasingly high level of innovation being generated by domestic Asian companies. Amid an accelerated pace of change and growing threats from disruptive technologies and players, the old model of simply establishing a passive local business unit in Asia that executes orders from headquarters (HQ) is no longer enough. MNCs in the industry must adopt new models and approaches, enhance their organizational agility and adaptability, and build capabilities to survive and thrive. There are few major TMT MNCs for whom Asia is not a boardroom issue.

Not surprisingly, Asian leaders are facing increasingly high expectations to deliver, especially in the near term. Underpinned by unrealistic expectations and a lack of clear communication, the sometimes fraught relationship between HQ and Asian headquarters becomes a barrier to achieving shared goals. Top Asia executives from a broad spectrum of TMT companies shared the following guidance for how HQ leaders and heads of Asia operations can shift away from an “us and them” approach to a more unified mentality that makes this long-distance relationship more constructive, effective and impactful.

The rich discussion among the participants culminated in six recommendations for fostering a better Asia-HQ relationship to achieve competitive advantage not just for Asia, but also globally:

1. Position Asia as an exporter of insights that can help the entire company compete.
2. Educate HQ on the realities of Asia.
3. Push for greater Asian representation on boards.
4. Communicate consistently, clearly and tactfully.
5. Win empowerment from HQ.
6. Establish the right organizational structure with the right people and skills.

The following executives participated in discussion sessions hosted by Spencer Stuart in Beijing and Singapore.

BEIJING

Markus Borchert, President, NSN Greater China
Owen Chan, Chairman and CEO, Cisco Greater China
Timothy Cheung, President, Datacard China
David Ho, Founder and Chairman, Kiina Investment
Aaron Hsin, Vice President, Teradata Greater China
Richard Hsu, Managing Director, China, Intel Capital
Caspar Luyten, Chief Regional Officer, Asia, Telefónica
Frank Meng, President, 21Vianet Group
Spencer Pan, Corporate Vice President and Managing Director for Greater China, AMD
Stephen Perchard, Vice President, McAfee North Asia
Mahesh Sundaram, Vice President, Asia Pacific, Dolby Laboratories
Marcus Tsoi, Vice President of EMC Corporation and President of EMC China
Xin Ye, Founder and CEO of CASEE
Baijun Zhao, Vice President and Country Manager, Freescale China

SINGAPORE

Philip Davis, Vice President of the Enterprise Solutions Group for Dell's Asia Pacific and Japan Commercial Business Organization
Hari Krishnan, Managing Director, Asia Pacific and Japan, LinkedIn
Kris Kumar, Senior Vice President and Regional Head of Asia Pacific, Digital Realty Trust
Howie Lau, General Manager and Vice President, Lenovo (Singapore)
Lionel Lim, President of the Asia Pacific Market, CA Technologies
Kin-Wah Loh, Executive Vice President of Sales and Marketing, NXP Semiconductors
Peter Moore, Regional Managing Director of Asia Pacific, Amazon Web Services
Dan Neary, Asia Pacific Vice President, Facebook
Julian Persaud, Managing Director of Southeast Asia, Google
Shailesh Rao, Vice President, Asia Pacific, Latin America and Emerging Markets, Twitter
Sarat Sinha, Vice President, Asia Pacific, Palo Alto Networks
Yen Yen Tan, Senior Vice President, Applications for Oracle's Asia Pacific Division
Dirk-Peter van Leeuwen, Senior Vice President and General Manager, Red Hat Asia Pacific
Hansjoerg Wagner, Senior Vice President of Asia Pacific, Greater China and Japan, Juniper Networks

1 Position Asia as an exporter of insights that can help the entire company compete.

Innovation is the lifeblood of TMT companies, and the Asia business units of TMT MNCs have innovated ways to adapt existing products to their markets. Products that specifically target consumers in emerging markets include mobile phones that are dust- and splash-proof, and are equipped with FM radios and flashlights; TVs that have local language menus, louder audio systems and automatic brightness adjustments for ambient light; and agriculture-related information services for farmers delivered via mobile phones.

In order to compete, MNCs cannot afford to leave good ideas on the table simply because they did not originate from HQ. With Asia (China and Korea, in particular) emerging as R&D hubs, MNCs stand to benefit greatly from the insights of their Asian colleagues. The Asia business units of some TMT companies have deployed their innovations in other markets, creating less expensive products targeted to budget-conscious consumers in Latin America, Eastern Europe and Russia. Others, including Philips, Intel, IBM and GE, have taken actions such as elevating the status of Asian markets, moving senior leaders from HQ to the region, and even relocating global HQs of certain businesses or functions to Asia.

Leaders from HQ must cultivate a culture that encourages innovation from every source. The presence of senior leaders in Asia reinforces the importance of the region and provides a direct line of communication of new ideas to the company's broader leadership.

2 Educate HQ on the realities of Asia.

One of the most significant obstacles in the relationship between headquarters and Asia is the frequent disconnect between assumptions and realities. Asia will continue to be a region that multinational TMT companies must focus on, but a common mistake made even today by many MNC leaders is viewing Asia as a single, cohesive entity. Instead, there are parts of the region that are in the early stages of development (e.g., Cambodia and Myanmar), some that are developed (e.g., Japan, Korea and Singapore), and those that are in between (e.g., China and Indonesia). Within these broad categories, each individual country will have its own unique set of opportunities and challenges, thus requiring tailored go-to-market approaches, capabilities and processes. Hence, Asia executives must proactively educate HQ about the diversity of the business landscape in each specific area of operation, and dispel the myth that Asia exists as a single entity.

Having senior leadership from headquarters visit Asia is especially effective in raising awareness about local issues. "It was difficult for our senior leadership to understand Beijing from the U.S.," said one executive in charge of Asia Pacific. "So we had our board meeting in Shanghai, where senior leadership met customers and developed a thorough understanding of what doing business is like in China. The mentality changed and these leaders became much more sensitive to local issues when they departed five days later." A truly shared understanding enables the formation of realistic goals and targets, as well as garnering the right level of support at the right time. Additionally, another leader recommended basing more global functional leaders in Asia Pacific in order to build an accurate understanding of what is happening on the ground.

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For other companies, managing HQ's expectations is also part of the education on Asia. For example, a number of companies have decided to "double-down" in China and poured significant investments into the country, only to be disappointed in the short-term returns and question whether they should continue investing. This situation can be worse than not investing at all because, when the results underwhelm, management comes under intense pressure. This can negatively and unnecessarily impact the morale of the entire organization, potentially triggering a mass voluntary or involuntary exodus of talented people. Consequently, HQ and Asia leaders need to discuss and agree upon realistic objectives. Moreover, it is important to note that managing expectations and educating HQ is an ongoing endeavor as roles change, experienced leaders leave and new ones join the organization.

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3 Push for greater Asian representation on boards.

Many of the executives who participated in our discussions stressed the importance of more Asian representation on TMT company boards. “Boards should have more Asian members,” said one head of Asia Pacific. “Asian board representation is lacking in most major companies and part of the problem rests in the differences between Asian boards and U.S. boards. More cross-pollination has to happen.” Just as leaders must recognize that each part of the region is distinct, TMT companies should approach their board composition and candidates with a similarly discerning eye.

“Boards in the U.S. think they have Asian representation,” added another executive, “but sometimes those board members are people who left India and China 20 years ago and are too out of touch by now.” One participant predicted that the most successful up-and-coming companies going forward will be the ones who match their Asian board representation with their business presence in the region; for example, composing one-third of the board with Asian members if one-third of the total business comes from Asia Pacific.

4 Communicate consistently, clearly and tactfully.

Discussion participants noted that communication between HQ and Asia executives needs to be faster, more constructive and more transparent. Just as edicts handed down from corporate are not typically welcomed with enthusiasm, the appearance of griping about how headquarters does not understand the realities on the ground does little to foster shared understanding. Instead, both groups need to shift the dialogue to problem-solving and productive debate, supported by a company-wide DNA that incorporates local nuances.

“As Asia Pacific leaders, one of the most fundamental values you bring to the table is your knowledge of the territory,” said an attendee. “Over time, trust will build with corporate as you use your knowledge to support your ideas and suggestions, and will become further solidified as you deliver results quarter after quarter.” Credibility is also built through providing solid evidence and rationale for proposed actions. Others have faced challenges in convincing HQ about where to invest resources. “To HQ, Asia was always perceived to be China and ASEAN, but deeper analysis showed that investing in Japan and Australia would be the wiser decision,” he said. “What has helped is removing emotion and providing consistent data.”

One executive in attendance advised that issues and initiatives should be framed in an “HQ-friendly” way: “Rather than making horses dance to the music, watch how the horses dance and then adapt the music.” Asia leaders should spend a lot of time communicating internally within the country or broader region to ensure that the messages that are conveyed to HQ are consistent. For example, if the China head is telling the CEO one thing, and his subordinates are telling the VPs at HQ another, it will undermine the message and trust will be lost.

During a career working with MNCs, one executive learned that it is important to ask the Asia team to try to think about an issue from an HQ perspective and vice versa. Another echoed this sentiment: His experience on both sides of the fence — running Asia and leading HQ for 15 years each — reinforced his belief that Asia executives and corporate must view issues from each other's position. "There is not one solution, as there are many variables depending on the company, leaders and cultures," he said. "Neither side is perfect, but all leaders must understand each other's intrinsic values."

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5 Win empowerment from HQ.

In the technology space especially, companies are forced to innovate faster than ever before. The pace of change in the region is rapid and requires organizations to be agile and adaptable. In order to be successful in Asia and beyond, Asia executives must be empowered by HQ to make decisions. Many TMT companies need to change the mindset that innovation happens from only certain hubs and welcome contributions from teams outside of headquarters.

One leader said he is working to instill confidence in his team in Asia Pacific that they are on par with their colleagues in other parts of the world. "When leaders help employees develop a level of confidence and connect it to the work they do, it creates a company with multiple sources of innovation as opposed to having one choke point where the great idea comes from London or the U.S. and Asia Pacific is just waiting for a marketing plan," he said.

One executive's company has created guiding principles that apply across geographies, and employees are given freedom when it comes to how they perform their individual roles within those principles. "Rather than implanting a company strategy where the employee does not see how his/her role relates to the strategy, we flip it upside down and make the company principles their DNA," he said. "Everyone is empowered to be creative in how they do their job abiding by those principles and they can use their creativity and create a rhythm to move forward, which is tremendously successful."

Raising the profile of specific geographies has also been effective in demonstrating the importance of local teams to the broader organization. Recognizing and prioritizing the country's role in the broader company's growth, Philips elevated China to the status of a "home market" and empowered leaders in the country to help drive future decisions.

6 Establish the appropriate organizational structure with the right people and relevant skills.

Organizational models and leadership styles can have a significant impact on how HQ and the Asia Pacific region work together. Some acknowledge that a matrix organization is often necessary when companies have multiple products and service lines, but that structure makes it all the more important that leaders have the ability to drive and influence a team across reporting lines.

"Google, Twitter, Facebook and many Silicon Valley product technology companies tend to follow a very business unit or BU-centric model, with global leadership in the U.S. supported by regional representatives, and in which a general manager is either formally or informally expected to manage cross-BU," said one executive. "The minimum requirement is to ensure that there is a country or regional review process that is implemented at senior levels so they do not just view things through the BU lens, but also the country/regional lens." This organizational approach surfaces discussion topics that are country-specific, e.g., market trends, political and legal considerations, and competition. "If you allow the global model to dominate," he adds, "they will not be able to understand or appreciate the nuances between Japan versus Australia."

One TMT MNC adopted a more China-centric governance model that has allowed for the sharing of perspectives across cultures, without one overshadowing the other. Rather than having a CEO, the company has an executive council of people of different nationalities who meet once a month to gain perspectives on the various countries in which it operates, as well as to align objectives. This team also travels together — and stays in “unglamorous” hotels — to explore countries where they operate and more fully understand the geography and culture.

An improved relationship between headquarters and Asia also demands that executives on both sides possess and cultivate certain skills. “In Asia Pacific, you need very collaborative people as well as leaders who can influence without a direct line of reporting,” said one of the executives. “You simply can’t win hearts and minds without playing nicely.” Another executive also attests that tone is vitally important, especially if certain regions or countries have negative connotations in the eyes of senior management or even the broader media. For example, an internal blog from an employee in Pakistan about his life in the country helped change the negative perception and foster better collaboration across geographies.

A shared future

Misconceptions and miscommunications have long been the roots of ineffective working relationships between HQ and Asian executives, which companies can ill afford moving forward given the increasing importance of Asia. However, the future success of multinational TMT companies demands a strong partnership between HQ leaders and Asia executives. While employing best practices for clear communication and building collaborative skills are beneficial, this endeavor truly requires a deep commitment on the parts of senior leadership, the board and leaders in Asia to both teach and learn from each other.

About the authors

Danny Koh is a member of the Technology, Media & Telecommunications and Industrial practices. He has led assignments for CEO succession, board evaluations and searches for Asia CEO, country head and other C-level executive roles across Southeast Asia and Greater China.

Siang Yong Lim is a consultant in Spencer Stuart’s Singapore office and is a member of the firm’s Industrial, Energy and Technology, Media & Telecommunications practices. He specializes in working with clients in computing systems, semiconductor and chemicals sectors within Southeast Asia and across the Asia Pacific region.

Michael Rawding is a member of the firm’s Technology, Media & Telecommunications Practice and is based in Seattle. He spent more than 16 years in senior management roles, including president and CEO of Microsoft Asia, Microsoft Japan, and Microsoft Greater China. His areas of focus include enterprise software and global assignments, particularly between North America and Asia Pacific.

Kitty Zheng is based in Beijing and a member of the firm’s Industrial, Technology, Media & Telecommunications and Human Resources practices. She brings more than 15 years of global executive search experience to her role, having lived and worked in Europe, Asia, the United States and Canada.

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