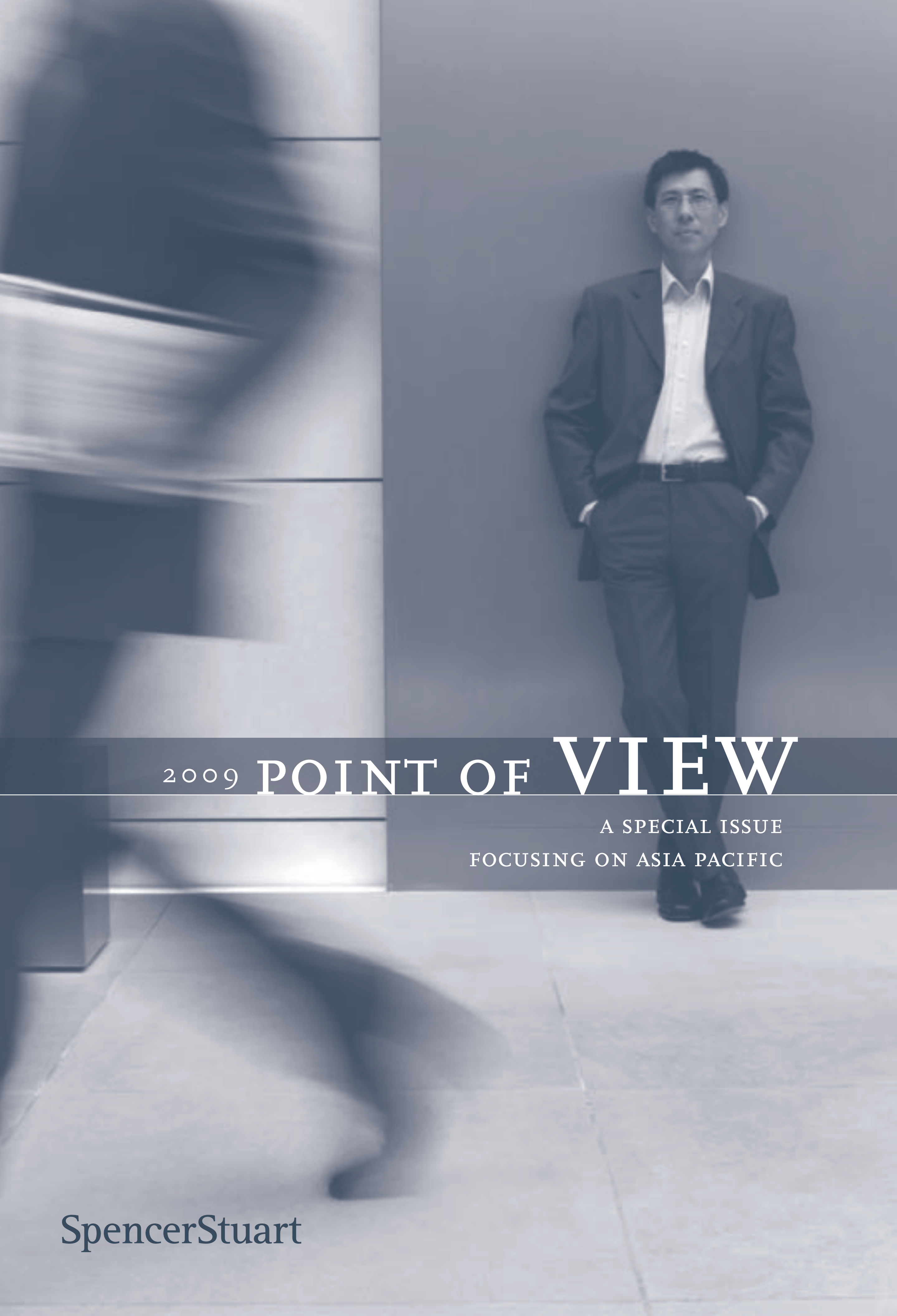

2009 POINT OF VIEW

A SPECIAL ISSUE
FOCUSING ON ASIA PACIFIC

SpencerStuart

About Spencer Stuart

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 51 offices in 27 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

contents

POINT *of* VIEW

contents

POINT *of* VIEW

A senior leader in India summed up the eastward shift of global business this way: "We will see a multicentric economic world, and that has huge implications."

What will a multicentric global economy mean for you — where you work, who your boss is or what skills you will need for the future? What are the implications for your organization, especially its ability to harness the talents of people working six or even 13 time zones apart to produce better products, market more effectively or deliver more relevant services to vastly different markets around the world? As we look to the future, we at Spencer Stuart are posing a similar set of questions about our own business, and we are certain you are exploring these questions as well.

For this special issue of *Point of View*, which focuses exclusively on Asia Pacific, we asked our consultants based in the region to take the lead in gathering perspectives from senior executives around the world, but especially in Asia, about some of the ways the region is influencing global business, including:

- The business models emerging from the region and the brands aspiring to become household names, not just in China or India, but in South Africa, Germany and the United States as well
- The future of governance as corporate boards in Asia's fast-growing economies learn from the best practices and failures of Western governance models and merge them with models that address local needs
- The distinctively Asian approach to management and how it is likely to shape the definition of global leadership
- The role the region is playing in driving product development and innovation

On behalf of all of us at Spencer Stuart, I hope you enjoy this special issue of *Point of View* and welcome your comments.

David S. Daniel
Chief Executive Officer
Spencer Stuart

Defining and developing the emerging global leader

ANNE S. BENBOW, *Singapore*
FRANK BIRKEL, *Munich*
HYPATIA E. KINGSLEY, *Hong Kong*

The global nature of business today — and, in no small part, the growing importance of Asia Pacific — is escalating the expectations placed on executives and redefining the essential capabilities for senior leaders of multinational businesses. With business footprints expanding and markets becoming increasingly intertwined, leaders need to become better and better at mastering an array of markets, cultures, competitors and workforce differences.

Asia Pacific in particular has emerged as an important training ground for global leaders of the future because of the tremendous opportunity the region presents, as well as its complexity and vast diversity. Not only do multinational companies require world-class talent in the region, the growing global interconnectedness means that it is more important that global business leaders and even regional leaders in other markets understand how to do business in Asia Pacific.

In light of the growing demands on senior-level executives, we explored what it means to be a global leader, the ways Asia Pacific is helping to shape the requirements of global leadership and the talent development priorities for multinational companies competing in the region.

WHAT IS A GLOBAL LEADER?

As companies have become more global, international experience has emerged as an increasingly important development priority for individuals aspiring to senior-level roles. But on-the-ground experience outside one's home market is only one requirement for a global leader; also needed is a leadership mindset that encompasses a broader set of capabilities than that required of executives in the traditional "command-and-control" management model.

Global leaders need to be open-minded and have a global orientation, possessing a curiosity about cultures other than their own and a high level of self-awareness. They must be natural problem-solvers and comfortable with uncertainty. They also should have honed their communication and influencing skills, which are so important for navigating and succeeding in today's multicultural, matrixed organizations. Finally, they need to be able to operate on a global stage, yet adapt to local needs.

"A global leader is someone who can flex different styles across different countries and different cultures to operate effectively. They understand the local way of doing things, while maintaining the overarching value system of integrity, doing right for the company, the community and employees," observed Miguel Ko, chairman and president of Asia Pacific for Starwood Hotels & Resorts.

Further, a global leader has the personal networks within and outside the organization to be able to get information or insights important to decision making, said Michael Fraccaro, head of learning, talent, resourcing and organization development in the Asia Pacific region for HSBC. "There is a capability around having strong personal networks, because the stronger the network, the more effective the leader will be in terms of navigating his or her way around the organization. Before something becomes an issue, they can pick up the phone and say, 'Look, what's the real story on the ground?' It has become increasingly important for key roles within the organization to really have an antenna up and not be exclusively focused on your own small patch."

ASIA PACIFIC'S INFLUENCE ON THE GLOBAL LEADER

Including more than half of the world's population and many of its fastest-growing economies, Asia Pacific quite simply will be the growth engine for global businesses for many years to come. As the region continues to grow in strategic importance for business, it is inevitable that it will exert its influence on the priorities for global leaders and even what it means to be a global leader. "Between 1980 and 2000, trends, culture and consumer behavior traveled from West to East. Today, we're seeing more flow from East to West and, by 2015, the flow will be equal," predicted Michael Wong, former managing director of Asia for the Wm. Wrigley Jr. Company and currently a member of the Chinese People's Political Consultative Committee in Guangzhou.

Asia Pacific provides a unique laboratory for leadership, with its rapid growth and immense potential, relentless pace, tremendous challenges and the richness and complexity of its vast collection of cultures, languages, and economic and governance models. With global business becoming ever more complex and challenging, it's clear that the leadership characteristics cultivated by the most effective executives in Asia Pacific are becoming increasingly essential to all global leaders — wherever they are based. These include:

Comfort with complexity and a rapid pace

"The first thing to understand when doing business in Asia is that Asia is most emphatically not a single market," said Ed Stephenson, group director of human resources for the Pacific Group of The Coca-Cola Company. "Japan has a population that is aging rapidly, while the vast majority of the population in Vietnam and India are very young. Local tastes are different, as are levels of spending power. Every possible permutation exists in Asia, and you have to understand what that means for your products." To be effective in the region, leaders must strive to understand the market and cultural differences across the region and learn to adapt.

In this hypercompetitive environment, executives must be flexible and willing to seize the moment and act quickly — or risk being outmaneuvered.

And, not unlike the technology bubble of the 1990s, the pace of business is relentless. Executives must absorb a constant flow of new information and be able to make decisions quickly. In this hypercompetitive environment, executives must be flexible and willing to seize the moment and act quickly — or risk being outmaneuvered. Yet, the increased competition in Asia from multinational companies and local businesses alike has heightened the risks of making strategic mistakes.

Also like the tech bubble, the rapid growth in many Asian markets has required companies to quickly promote young executives to keep up with their need for more leaders. To help these young executives succeed in the long term — and make smart decisions that balance market risks with potential rewards — experienced leaders need to provide guidance and valuable perspective on problems that arise.

Ability to cultivate win-win relationships

It is widely recognized that, more so than in many markets, success in Asia Pacific is built on a foundation of strong and lasting relationships with customers and business partners. Without maintaining robust individual and organizational ties, it is hard for a business to be successful. According to Ko, leaders should have a specific orientation toward finding win-win solutions, a "willingness to lean across the opposite side of the table." Companies that do not demonstrate a consistent commitment to their business partners and customers, for example, by retrenching when times get tough, can have trouble gaining traction when trying to rebuild their presence.

And in a region where top talent is in chronically short supply, an executive's ability to cultivate the loyalty of employees can be a very important contributor to his or her success. However, while loyalty continues to be an important value in many Asian cultures, its role in the workplace is evolving. Talented executives have many opportunities to choose from and will leave their companies for bigger salaries or more senior-level positions. As companies continue to grapple with these issues, the most successful leaders will be those able to effectively impart the values of the organization to their teams and help employees better understand their current value and their future career path in the organization.

Long-term strategic perspective
Succeeding in Asia Pacific requires a long-term commitment. In markets such as China and India, it can take many years to establish a sustainable and profitable business, and fully tapping these immense and rapidly growing markets could take much longer. Multinational companies must invest in Asia for the long term, and improve product development, communications and advertising messaging to the Asian market.

While succeeding in the region requires vision, steady investment and strong relationships, the explosive growth of Asian markets means that leaders must be nimble and ensure that strategic planning anticipates several steps ahead; without constant attention to market shifts, companies can find themselves caught in an outdated business model. Doing this as part of a company with stakeholder management requirements from headquarters, the region and locally, can be particularly challenging.

A focus on achieving goals
Doing business in the fast-growing but highly competitive markets of Asia, particularly in China and India, demands a strong focus on performance. Successful leaders there inspire their teams to achieve today's goals and objectives.

"If I look at some of our senior Chinese talent and the characteristics that distinguish them from many others, it is what I would describe as a focus on what they need to achieve. It's an ability to harness a team around them and also have the ability to step back and think about some of the issues related to the community,"

Economic strength

> The Asia Pacific region accounts for nearly one-third of global GDP. Japan, the People's Republic of China and India account for two-thirds of regional GDP.

> Six economies — Australia, People's Republic of China, Hong Kong, India, Japan and Singapore — accounted for 80 percent of foreign direct investment in the region between 2006 and 2008.

Source: Asian Development Bank

said Fraccaro. "Corporate and social responsibilities have become an important part of rounding out the global leader, particularly for individuals who may be considered for chief executive or board roles. It's that ability to mentally cross-reference multiple issues and tap into multiple layers of experiences."

IS AN ASIA ASSIGNMENT REQUIRED?

Given the growing strategic importance of Asia for companies and the leadership skills that executives develop there, will a significant assignment in the region be a requirement for leaders of the future? The answer is a definite "maybe."

Experience in the region will be highly valuable for global leaders of multinational companies in the future — and lack of experience in Asia Pacific may well be a major handicap for leaders of companies for which the region will represent a large share of future revenues. As Asia expands its influence on the global economy, direct knowledge of the region will be essential for global leaders, argued Wong. "Global leaders will need to be on the ground in Asia to see, live and experience the culture, the people and the dynamics of the region," he said.

Without discounting the value of Asia Pacific experience, many senior leaders emphasized that the overarching career need is for meaningful assignments outside one's own market. At a growing number of multinational companies like Motorola, executives without international experience will hit a ceiling when it comes to promotion. Quite simply, "To get a top job at Motorola, you must rotate outside your home country," according to Choong Pew (C.P.) Lee, former vice president of human resources Asia Pacific for Motorola,

Understanding Asia's diversity

	Australia	China	India	Japan	South Korea	Vietnam
Median Age	37	34	25	44	37	27
Population Growth Rate	1.2%	0.66%	1.55%	-0.19%	0.27%	0.98%
Urban Population	89%	43%	29%	66%	81%	28%
Mobile Phone Subscribers	21.3 million	547 million	362 million	107 million	43.5 million	33.2 million

Source: CIA World Factbook

who is now with Taiwan manufacturer Ching Lun Group.

Companies need global thinkers with broad-based business perspectives. International assignments promote an executive's understanding of other cultures and how business is conducted around the world. On a personal level, overseas assignments challenge executives to adjust to different perspectives and business issues and prove themselves in an unfamiliar environment.

While Asia is a market that should be studied in order to be understood, said Stephenson, Coke places the most emphasis on providing future leaders — from all markets — with diverse geographic experience. As executives move among geographies around the world, all markets benefit from the sharing of ideas and business solutions. "Coke is truly global and takes a holistic view of the global village. Today, the company is placing even more emphasis on ensuring that its leaders are developed with a thorough understanding of the global business. Managers should have experience in multiple markets — developed and developing — and in different geographies. They should experience life in the bottlers, too," he said.

Companies are providing development opportunities to move senior executives and promising up-and-comers from West to East and from East to West in a variety of different ways. Individual career development plans should encourage cultural interchange early in people's careers through assignments to international project teams and expat roles, said Wong.

As much as possible, the movement of talent should represent a two-way flow between East and West. While many companies have for years sent Western executives to Asia to give them exposure to the region and to bring technical and headquarters knowledge to Asian operations, many companies report being less successful at dispatching Asian executives to overseas assignments. However, if Asian leaders are to take on more global leadership roles in the future, it will be important for them to get experience in markets outside of their home countries and Asia Pacific generally. Challenges such as extended family ties, school-aged children and language or cultural barriers can keep some Asian executives from taking international assignments. Others are reluctant to leave what they view as a global hot spot for business that is awash in opportunity for executives with the necessary language and leadership skills and cultural knowledge.

As much as possible, the movement of talent should represent a two-way flow between East and West.

"I have seen quite a few of my Asian friends who have been asked to go to headquarters, but a majority prefer to stay here because they see the growth and feel the satisfaction of being able to grow a business here with relative autonomy," said Ko.

Further, global companies should consciously create a culture that accepts varying leadership styles. This may require some Western businesses to expand their notion of what it means to be a leader, rather than trying to mold individuals into a single ideal of leadership or penalizing executives who do not conform to traditional Western leadership styles.

Companies see generational differences in people's willingness to move. "Younger folks do join companies with a plan to move, while Baby Boomers and Generation X are less inclined to do so. Some of the difference can be attributed to life stages, rather than purely generational differences. A Gen Xer may want to be mobile, but perhaps has children in high school," said Katherine Nisbet, head of learning and development, diversity and talent management in Asia Pacific for Coca-Cola. In the meantime, companies will have to become more adept at catching people at the right time in life for a move. "It's important to ask the right questions at the right time to encourage leaders with potential to take advantage of new opportunities, especially those that will require a geographic move. Asking a few years later could produce a very different answer about one's willingness to move, so we need to be sensitive and ensure that we have the right conversations at the right times," she said.

CONCLUSION

At many companies, experience in multiple geographies already is a requirement for moving into senior-level roles, and this requirement is only going to become more common for global leaders of the future. Experience in Asia will be particularly valuable — and for some companies necessary — for the future as the region becomes an even more important source of revenue growth for companies.

There is a distinctively Asian approach to management, which emphasizes building lasting, win-win partnership relationships, approaching the business with a strategic, long-term point of view, and learning quickly and adapting to the region's vast diversity. By acquiring these qualities, executives who are successful leaders in Asia will have many of the capabilities required to be global leaders. To develop the cadre of global leaders they will need for the future, companies should continue to improve their ability to move executives in all regions to other markets around the world.

ABOUT THE AUTHORS

Anne Benbow manages the firm's Southeast Asia office, based in Singapore, and is a leader within the Industrial Practice in Southeast Asia and a co-leader of the Human Resources Practice in Asia Pacific. Frank Birkel leads the German offices and is based in Munich. He is a member of the firm's global Consumer Goods & Services Practice and co-leads the Marketing Officer Practice in Europe. Based in the firm's Hong Kong office, Hypatia Kingsley is a member of the Financial Services Practice.

Converging governance principles: Learning from best practices around the world

ANJALI BANSAL, *Mumbai*
JULIE HEMBROCK DAUM, *New York*
BERTRAND RICHARD, *Paris*

The current economic crisis has damaged confidence in much of what we understood as the essential workings of globalization, such as the efficiency of the market, the mobility of capital and the availability of debt finance. Fundamental weaknesses in the international banking system have resulted in an unprecedented global recession and at the macroeconomic, corporate and individual consumer levels, there has been a crisis of confidence and a breakdown of trust.

Corporate governance principally exists to promote a climate of trust and accountability, without which a company's relationships with business partners, shareholders, consumers and other stakeholders are jeopardized, and access to finance is put at risk. It could be argued that the atmosphere of suspicion and mistrust in many markets, one that deepens with every new discovery of corporate mismanagement and excess, signifies a failure in prevailing governance structures and encourages a new look at exactly how companies should regard best practice.

The trend in recent years has been for governance models around the world to converge around commonly agreed principles. It is possible that the erosion of public confidence in business leadership will accelerate this trend. Although this may please some global investors, not everyone in Asia thinks that the growing influence of the Anglo-American system of governance should go unchallenged. Asian regulators have an opportunity to learn from mistakes made in Western economies and to seek local solutions to local governance problems — driving behaviors that combine local needs with global best practice.

Governance codes and regulations may have improved greatly across Asia, but the reality is that they are often poorly observed by companies and inadequately enforced by regulators and governments. In this context, it becomes all the more important for listed company boards to recognize the value of adopting best practice — especially in those areas of boardroom activity that cannot be touched by regulation.

Best practice in the boardroom goes well beyond compliance; it permeates every aspect of boardroom activity.

From our experience advising boards of leading companies around the world, we have identified a number of best practices that will serve boards well as they seek to discharge their responsibilities effectively and efficiently, no matter where they are based.

CREATING THE RIGHT SETTING FOR GOOD GOVERNANCE

More and more companies in emerging markets are looking to raise their governance standards. However, following the example of successful companies in more developed economies is not always the answer, since these companies often have to contend with a different set of issues. These could be structural (e.g., highly concentrated ownership), legal (a slow, inadequate or unreliable system), political (legislative and regulatory differences) or cultural (hierarchy, tradition, behavior protocols) and explain why a one-size-fits-all approach to governance is a mistake.

Despite the trend towards convergence, governance regulations in Asia are less stringent than they are in the West, particularly when it comes to disclosure and independence. It is tempting for boards to take a narrow, box-ticking approach to governance requirements, but those that do so are missing an opportunity to set themselves apart. Rather than simply ensuring that their companies conform to national expectations and regulatory frameworks, boards should be constantly seeking to improve their performance, accountability and transparency. After all, there is competitive advantage to be gained from such an attitude — numerous studies have found a correlation between governance performance and credit ratings, the cost of capital and the ability to attract foreign investment. Moreover, companies that are well governed tend to outperform the market during an economic downturn.

THE NONEXECUTIVE DIRECTOR

One of the signs of an effective, professional board is that it is fit for its purpose. The directors have been chosen wisely for their expertise and are clear about their roles and responsibilities. They know why they have been recruited and what is expected of them, both as individuals and as a team, and despite bringing multiple perspectives into the boardroom they can work well together. They are committed to the long-term interests of the business and have the time to devote to board service. They must discharge their fiduciary obligations, of course, but recognize that observing laws and regulations is just the start. Best practice in the boardroom goes well beyond compliance; it permeates every aspect of boardroom activity, from the conduct of meetings and the role of committees to time commitments and boardroom relationships.

While it may be tempting for some nonexecutive directors to be "hands-on" in the business, it is a mistake for them to get deeply involved in operations. In companies where the management is struggling or lacking in experience, this may seem the right thing to do, but nonexecutive directors are most effective when they preserve their objectivity and help advise, guide and monitor the executive team, whose duty it is to run the business. Nonexecutive directors are valued for their strategic insight, advice, networks and sector knowledge — not their operational skills. This is borne out by the steady shift toward greater independence in boardrooms across the world. The presence of talented and engaged independent directors can make a huge difference to the fortunes of a company.

Definitions of independence are more stringent in some countries than others, and in more mature economies the proportion of independent directors on boards is usually very high. In Asia, it is common for the promoter and the promoter's family to retain a significant influence on decision making and for complex interconnections to exist between executives and nonexecutives. However, even family- or promoter-controlled companies and state-owned enterprises (which dominate the Asian business landscape and are also to be found in France, Spain and other European countries) are recognizing the value that independent-minded directors can bring to a board mainly composed of majority shareholder representatives.

Appointing directors who do not have a conflict of interest is extremely important, but independence is no guarantee of competence. Without real experience, business expertise, insight and common sense, directors will lack the ability to challenge management, particularly in critical areas such as strategy or risk management.

So what does the profile of the ideal director look like? The results of the many board assessments we have conducted in Europe tell us that the most valuable and efficient board directors are those who have operated at the CEO or executive committee level, have relevant experience, can bring new perspectives, and who are independent of mind, not just on paper.

In addition, good nonexecutive directors have the confidence to speak out when appropriate, the humility to consider the views of others, and the courage and integrity to follow their conscience at a time of crisis. They offer a combination of broad business experience and specific knowledge relevant to the company, such as technical, regulatory or international expertise. They have the time to commit, read board papers thoroughly and participate actively in debate. They acquire a deep understanding of the company's business and yet understand that eventually they may need to be replaced by someone with a set of skills and experience that more closely mirrors the evolving strategic direction of the business. This combination of qualities is not easy to identify, reinforcing how important it is for boards to adopt a formal, structured process for the selection of new directors.

Good nonexecutive directors have the confidence to speak out when appropriate, the humility to consider the views of others, and the courage and integrity to follow their conscience at a time of crisis.

BOARD COMMITTEES

An effective board delegates wisely. It is normal for the board to charge the CEO and senior executive team with running the day-to-day operations of the company and executing the agreed-upon strategy, but it also delegates many of its own functions to committees of the board. Working to a clear charter, committees tend to be small and comprise mainly independent nonexecutive directors and are expected to refer any key decisions to the main board for approval.

In most countries, the law requires every board to have an audit committee to supervise the company's financial well-being and reporting systems. Only relatively recently has it become a requirement in the United States and United Kingdom for at least one audit committee member to be a financial expert, although nowadays the committee chairman usually also has a financial background.

For a number of years, the membership and conduct of audit committees came under fierce scrutiny from shareholders, media and government concerned that illegal and fraudulent practices had too often gone undetected in global businesses. Most recently, the focus of attention has shifted to the remuneration or compensation committee, in the light of perceived excesses in senior executive pay.

In markets where disclosure of executive pay is mandatory, compensation committee membership has come under intense scrutiny, with boards frequently criticized for rewarding underperformance. The work of this committee is crucial in creating a compensation model that does not reward the short-term interests of management at the expense of the long-term interests of the company. A fair and transparent compensation structure strengthens the board's ability to challenge senior executives by ensuring that they are aligned with shareholder interests and holding them accountable for achieving sustainable growth.

The third committee that is becoming increasingly common is the nomination committee, which oversees the nomination and appointment of directors.[1] In some Asian countries it is not yet a requirement, although the existence of a nomination committee is a good indication that the board is taking its governance responsibilities seriously — signaling its intent to replenish the board with the best possible mix of talent and expertise that reflects the company's future strategy. Nomination committees increasingly are having to justify their choices, and this is made easier when they retain neutral advisers to manage a rigorous, transparent and structured approach to the recruitment of directors.

Succession planning is the responsibility of the whole board, but the lead is often taken by the nomination committee. CEO succession is the first priority, but many boards will get involved in senior executive team succession and take an active interest in the talent pipeline further down the organization. The governance of a company cannot be considered in good shape if the board does not pay close attention to succession issues or regularly discuss the future of its leadership team.[2]

Boards that have adopted high governance standards tend to appoint strong committees with a well-defined charter and clear processes. Such committees conduct detailed work behind the scenes, providing the full board with good information and sound analysis, thereby contributing to effective decision making. By contrast, committees that are established primarily to satisfy statutory requirements rarely function effectively.

A good chairman will encourage debate, ensure that the views of every board member are heard and work hard to achieve consensus.

THE ROLE OF THE CHAIRMAN

A board may be outstanding on paper, but it will not function well unless it is run by a chairman who combines substantial business experience with a range of "soft skills." He or she sets the priorities for the board and has the most influence over board dynamics, which play a huge part in how well a board performs. A good chairman will encourage debate, ensure that the views of every board member are heard and work hard to achieve consensus. In some cultures, especially those with a strong sense of hierarchy, it can be extremely difficult for directors to challenge or contradict openly, and it is the chairman's job to ensure that concerns are listened to, maintaining regular contact with directors outside meetings.

1 In the U.S., this is known as the governance and nominating committee. As with the other two committees, its members must all be independent.

2 More detailed articles on succession planning can be found on the Spencer Stuart web site, www.spencerstuart.com.

The chairman should also ensure that there is a steady, relevant and meaningful supply of information from management to the board. Nonexecutive directors do not want to be swamped by extraneous detail, but they do need to be confident they have sufficient information to reach an informed judgment on any topic up for discussion at the board meeting, and that they are not deliberately being kept in the dark.

Board meetings without executives present are becoming more common. Such meetings can be useful, but the chairman has to ensure that they do not create or reinforce divisions between nonexecutive directors and the management team. In the U.K., it is common practice for nonexecutive directors, led by the senior independent director, to meet once a year to discuss the performance of the chairman.

A sensitively handled board assessment can be a hugely constructive exercise, teasing out concerns and leading to genuine improvements in decision-making processes and overall board effectiveness.

The profiles of chairmen differ greatly from country to country. Executive chairmen are common in Asia, but frowned upon in the U.K. In the U.S. and southern Europe, the roles of chairman and CEO are usually combined, but more companies have come to realize that separating the roles can be worthwhile because it can prevent power from concentrating in the hands of one person. It enables the chairman to focus on the increasingly complex task of running the board, providing advice and support to the CEO, and playing an important role in the CEO evaluation process. In addition, the introduction of the lead independent director (in the U.S.) and the senior independent director (in the U.K.) has served to achieve some of the same objectives by strengthening the voice of independent directors in the boardroom.

Best practice would indicate that board independence is improved by having a chairman who was not previously the company's CEO, for two reasons. First, a good CEO does not necessarily have the qualities of an effective chairman — the skills are quite different. Second, it is tempting (and counter-productive) for a former CEO to intervene in management activities; so it is better if he hones his chairman skills elsewhere.

BOARD ASSESSMENT

As the custodians of corporate governance, it makes sense that boards should be prepared to have their performance assessed on a regular basis. After all, if the CEO's performance is to be evaluated, why should the board not go through something similar? In some more mature markets, the annual board assessment has become a reporting requirement, although it is left to boards to decide what process to adopt. In the U.K., for example, assessments tend to be handled internally two years out of three, with an external adviser brought in to facilitate every third year.

In Asia and most other emerging markets, board assessments are rare and often treated with some suspicion. Few companies want to expose the inner workings of their board to outsiders, or suffer loss of face, preferring instead to handle assessments internally. This will probably change over time, as the perceived threat of external assessment subsides and its positive value is understood. In those countries where boards are required to have an assessment, external facilitators are usually brought in every three years.

A sensitively handled board assessment can be a hugely constructive exercise, teasing out concerns and leading to genuine improvements in decision-making processes and overall board effectiveness. Not only does an assessment measure collective and individual performance and set out expectations for the coming year, but it can also surface specific gaps in knowledge and training needs, resulting in better informed directors making enhanced contributions to the business.

CONCLUSION

The way a board works in practice has everything to do with talent, relationships and specific circumstances and much less to do with codes and regulations. Many critical aspects of a board cannot be regulated: for example, how thoughtfully a board is constituted, whether independent directors think and behave independently, and the skill with which a chairman orchestrates meetings and brings out the best from the talent at his or her disposal.

Despite the trend towards convergence, there are significant voices in Asia calling for a more “organic” approach to corporate governance that takes local political, economic and cultural realities into account. As national regulatory frameworks evolve, boards will do well to look beyond statutory requirements, adopt proven best practices and develop some of their own — all of which will help them function effectively and bring lasting value to the businesses they govern.

ABOUT THE AUTHORS

Based in Mumbai, Anjali Bansal leads the firm’s India offices and is a core member of the global Board Services, Financial Services, Industrial and Technology, Communications & Media practices. Julie Hembrock Daum co-leads the North American Board and CEO Succession Practice. Bertrand Richard co-leads the Board Services Practice.

What should headquarters understand about the region?

We asked a variety of senior executives based in Asia Pacific what they wish leaders at headquarters and colleagues in other parts of the world better understood about Asia Pacific or the countries in which they are based. Here's what we heard:

"Asia Pacific is in reality more of a complete world ecosystem than a region per se. Every dimension displays unparalleled diversity — economic profiles, political structures, allegiances, scale, language and culture. Add to this the volatility factor and you can appreciate the challenges in achieving the benefits of applying a consistent fully integrated operating model."

Paul Brandling, vice president and managing director of South Pacific for Hewlett-Packard

"Global corporations do not always have a clear understanding of the structural differences between Asian countries' ways of working, consumer expectations or even their Internet/online infrastructures. Any decision regarding this part of the world needs to be balanced according to these specificities."

Pierre-Yves Arzel, president of L'Oréal Japan

"Without question, the biggest challenge we have with our corporate organization is the 'tyranny of distance' — geographically being so far removed means that market trends and dependencies are either not understood or, alternately, the assumption is made that something designed for the U.S. market will fit naturally into the needs of the Asian markets."

Angus McDougall, regional vice president of Asia Pacific/Japan for Datacard Corporation

"One of the most important things that I wish headquarters would understand is the need to continually become more international as an organization so that they can better support our tremendous opportunities for growth in Asia Pacific."

President of Japan for a high-end specialty retailer

"First, view Japan as the future not the past. Don't view the Japanese market as an old, traditional, mature, declining market. View Japan as the future — every emerging market will become an emerged market, every young country becomes an aging market, every unsophisticated market becomes more demanding and trades up. Japan is the future; get it right here in this sophisticated, intensely competitive market and you will get it right anywhere. My second message is to look, listen and learn. Have a global brand policy, but — by looking, listening and learning — find the best fit and adaptation to inspire and attract local consumers."

Gavin Haig, president of Cartier Japan and president of Richemont Group Japan

"The point that I wish would be better understood is the time factor: the fact that it may take time to make things happen here, but that once they are achieved, they are usually solid and last long. Japanese businesspeople are not gamblers but builders and maintainers. Few people are interested in one shot gun actions."

The president of Japan for an international apparel retailer

"Brocade invested early in Asia and has always supported the needs of the Asia Pacific geography and has consequently taken the high ground in its space. Nevertheless, I invest time with the headquarter teams, reiterating the diversity, spread and scale of Asia Pacific and ensuring these are kept in perspective while framing field-related policies and broad strategies. While 'Asia awareness' today has radically improved given the geography's robust contribution to worldwide revenue for all global corporations, Asian executives have to proactively represent the needs of their markets, customers and teams internally within their organizations. This ensures that these executives are able to better leverage the headquarter faculties, competencies and coverage for their geography!"

Deb Dutta, vice president for Asia Pacific and Japan
for Brocade Communications Systems in Singapore

"The bottom line is the approach, language and the softer factors on how you gain sponsorship, inputs and execution are vastly different in the growth markets (even comparing India to China) and the region's more mature markets, such as Japan and Australia. Global headquarters sometimes make the mistake to look at Asia as a 'country' or, at a more rudimentary level, to consider only the legal parameters around operating in a country, but there is a lot more. The challenge is to help global companies understand these cultural aspects and then decide how to best adapt to them. It does not mean the objective or the outcome changes; it just means the approach that may be used to get there may be different."

Michael Vavakis, former vice president of human resources
for Asia Pacific/Japan for Hewett-Packard

"I wish that our colleagues would support us to make our global working environment a conducive one for innovation and creativity. Japan has an amazing power of innovation and creativity, but it requires certain conditions to blossom and I wish we could increase Japan's contribution and 'share of voice' by making them happen at global level."

Rémi Lugagne, human resources division general manager for L'Oréal Japan

Asia's innovation advance: Leadership perspectives on a growing innovation hub

ALBERT CLIMENT, *Silicon Valley*
TIMOTHY D. HOFFMAN, *Hong Kong*
MALINI VAIDYA, *Singapore*
THOMAS H. YU, *Shanghai*

In years past, Western multinational corporations mainly viewed Asia Pacific as a manufacturing center or as a rapidly growing consumer market. Outside of the major Japanese and Korean consumer brands, the region was rarely associated with innovation. But that perception is changing fast. Today, more and more multinational companies are establishing innovation centers in Asia's developing nations for global or regional product development, while companies native to the region are scaling up their innovation efforts to compete on a global scale.

To further examine emerging Asia's growing role as an innovation hub and the talent implications of the trend, Spencer Stuart spoke with leading executives at several corporations that have recently enhanced their innovation pipeline in the region. These interviews confirmed that Asia Pacific is playing a more integral role in innovation for multinational corporations — a role that seems to be growing as fast as the Asian consumer market itself.

INNOVATION FOR THE REGION

As companies attempt to tap into the vast, expanding markets of Asia's developing nations, attempts to meet the needs of these customers have been a major factor driving innovation in the region.

Agilent Technologies, a leading manufacturer of scientific instruments and test equipment, once served Asia with products developed in the United States. "That worked initially, but over time, our business in Asia started growing much faster than any other part of the world," said Soon-Chai Gooi, Agilent's vice president and general manager of the Electronic Instrument Business Unit within the Electronic Measurement Group. Today, 60 to 70 percent of the company's sales occur outside the U.S., which made the creation of a full division in Asia with a full-fledged R&D and innovation infrastructure a competitive necessity. "With a business team here, we have the best of both worlds: the powerhouse of a global technology company and the autonomy of an indigenous company that understands the region's needs and competes using the philosophy of other local competitors," said Gooi.

These regional needs can be more complex than those of the more mature, and often more homogeneous, Western markets. "In some regions, you can have a few beachheads and feel that you know the markets drivers for that region," said Judy Kay, vice president of corporate marketing and executive operations for JDS Uniphase Corporation (JDSU). "In Asia Pacific, it is very different — there are profound market differences between India, Korea, China, Japan and Singapore." According to Kay, being co-located with key Asian customers makes it possible to design with more rapid insight and connection to them.

Beverage producer Diageo has found this to be the case, and recently launched a sweeter version of its Windsor whiskey in Asia designed with the North Asian palate in mind. "Previously, our portfolio was simply the Western taste transferred to the East, but that is no longer acceptable to discerning customers here," said James Thompson, marketing and innovation director for Asia Pacific for Diageo.

For some products, the current market penetration is so low that the region presents not just long-term potential, but also incredible short-term opportunity. In India, for instance, cell phone companies are adding millions of new subscribers a month, making the country the world's fastest-growing mobile-phone market.

"The mobile phone is a major power in people's lives, and has become a critical enabler of communication in a region with very poor infrastructure," said D. Shivakumar, vice president and managing director for Nokia Mobile Phones in India.

For Nokia, meeting the needs of these customers has meant innovating phones with significantly different features than in the West. According to Shivakumar, ambient noise is much higher in India, requiring louder phones. The speaker has to be better, because using phones to play music is more of a social norm. And the phone must also be more rugged to endure more wear and tear, and have a stronger backlight to counter the bright tropical sun.

In some cases, companies are even innovating entirely new products and services to woo these new customers. For example, Visa launched the world's first commercial mobile payments service for point-of-sale transactions in Asia using Near Field Communications — a technology that allows people to make contactless retail payments using their mobile phones. "When you look at mobile commerce, chip, contactless and e-commerce innovations, Asia has been at the forefront of these technologies in the world," said Rahul Khosla, chief operating officer of Asia Pacific for Visa.

A FOCUS ON PRICE-PERFORMANCE

An area in which emerging Asia has become a clear innovation leader is price-performance innovation — the creation of products whose quality excels for their cost — something made possible by region's low labor costs and its growing pool of skilled, educated talent.

Emerson Network Power bought its Asian telecom power division from Huawei back in 2001. At the time, the division's R&D group, which had 400 engineers, became one of four Emerson global divisions that were designing telecom systems.

An area in which emerging Asia has become a clear innovation leader is price-performance innovation — the creation of products whose quality excels for their cost...

"Over the first three or four years, China excelled in both cost of the design and cost to design," said Stephen Liang, president of Asia Pacific for Emerson Network Power. "The labor rates in China were quite competitive, and the people were as high quality and efficient as our engineers elsewhere." As a result, the China division has been expanded to roughly 1,400 engineers, even as the other global divisions have stayed roughly the same size.

According to Liang, this best-cost and capable workforce offers an additional advantage. "With the lower cost of engineering here in China, we are able to spend more time and effort to improve the quality and reliability of our products," he said.

Part of the reason price-performance is such an innovation focus in the region is because it is so highly valued by Asian customers. "In Asia, smaller incremental steps are preferred as opposed to breakthrough step-change innovations," said Jim Janicki, vice president and general manager of the global diagnostics business for Life Technologies. "There seems to be a lower tolerance for risk by Asian customers."

Agilent's Gooi adds that the Asian market's demand for low-cost, application-based solutions can make a focus on breakthrough innovation impractical for manufacturers who serve the region. "In Asia, customers want something that people will buy at a specific cost, a specific volume and that's available three months from now. If manufacturers need to leapfrog to the next technology cycle, they can't afford to compete with the frontier design. Of course, this doesn't apply to everything — some companies are successful in Asia because of their cutting-edge innovation. But in 90 percent of cases, the need of the region is fundamentally different. It's less East versus West and more about developed versus emerging economies."

But that's not to say that breakthrough innovation isn't happening in Asia — or that it isn't expected to increase there. In fact, the differences between the regions are blurring, as the West increasingly wants innovation at the right cost and customers in emerging markets become more sophisticated.

"We export a full pipeline of lower-end products across the emerging markets, but we strive to ensure that even this 'worth the price' product has innovation loaded on it rather than compromising on quality or features," said Nokia's Shivakumar.

Meanwhile, as major Asian companies enhance their operations to serve Western markets, they are focused on becoming more innovative to compete globally. "In terms of technology, Western companies are still in the lead," said Dr. Taoming Wang, chief strategic and technology officer for Haier Group. "We need to increase our efforts to integrate the global talent pool to reduce this gap. Our goal is to launch more first-to-market products and gain a greater share of the global high-end market."

As the momentum of industry continues in China and other emerging nations, its increasing prosperity will be another factor spurring increased innovation. "As the cost of doing business goes up here in China, China will need to become more innovative to compete with the West," said Emerson's Liang.

A GROWING PLAYER IN GLOBAL INNOVATION

In some multinational companies, Asian teams are working on innovation efforts led from headquarters or are being used as part of a "follow the sun" approach,

Internet use growing fast

Internet users in Asia represent 42 percent of all Internet users in the world. Still, Internet penetration in Asia is less than 19 percent of the population. As of the second quarter of 2009, China has the most users in the region — 338 million, a quarter of the population — and Japan, the next highest in the region, has 94 million. By comparison, India has 81 million users (7 percent penetration). Australia and Japan have the highest Internet penetration rates, 79.6 percent and 74 percent, respectively.

Source: Internet World Stats

with global teams working together 24/7 on projects to get them to market more quickly. But to get the most innovation out of the region, more companies are establishing stand-alone divisions in Asia.

"You need a full business charter," said Gooi. "If you use innovation to mean R&D, you lose sight of the fact that you cannot innovate if you do not have the ability or accountability to decide which market or customers to go for. How can you innovate if you are confined and told you can only do three things?"

When forming a new R&D center in China, JDSU deliberately gave the team its own projects and the ability to demonstrate its capability in practical time frames. "You have to make sure employees feel empowered to make decisions locally," said Kay. "The sense of ownership that came with knowing, 'we're the leaders on this,' instilled a sense of pride in the team and made a real difference."

"We are also trying to infuse these 'softer' aspects of innovation into the local talent by bringing in expats with these skills and sending locals out to headquarters."

Companies like PolyOne Corporation increasingly view their Asian teams as equal members of a global innovation effort. "Our innovations in Asia cover all areas — breakthrough products, derivative products, new business processes, new business models and brand new applications," said Dr. Willie Chien, vice president and general manager of PolyOne Asia Pacific. "Whenever we can, we leverage unique competitive advantages in Asia, such as innovative materials and technology, to develop solutions that meet or exceed customers' expectations."

DEVELOPING ASIAN TALENT

As corporations work to build their innovation capabilities in Asia Pacific, they are struggling to find the talent to lead these efforts. "Unlike hardware investment, innovation is heavily dependent on talented people, particularly in the marketing and technical areas," said Chien. "Seasoned executives and managers are also essential to guide talented teams to become highly productive. Our biggest challenge in HR is recruiting enough talented people."

The most important aspect of this challenge can sometimes be finding the right senior executive to lead innovation efforts in the region. "Our top priority was identifying a senior leader who was from the region, in our case with ties to China," Kay said of finding a leader for JDSU's China R&D operation. "We didn't try to parachute an expat in or select someone who was just a research lead. We picked someone who had run a company before and knew the region." Having such a leader enabled the company to recruit talent effectively for cultural fit as well as skill and to successfully negotiate local concerns such as how to set up the right policies to protect intellectual property.

Since the region lacks the established innovation talent base of other markets, corporations are focused on attracting and developing talent at the more junior levels. "We have spent a lot of effort building up our reputation at the universities, where we still sponsor a lot of research, and this has helped our recruiting," said Liang.

Some feel that the West still leads in the more creative aspects of design and are working to address this talent gap in Asia. "We have an R&D base and design school in Bangalore," said Shivakumar. "We are also trying to infuse these 'softer' aspects of innovation into the local talent by bringing in expats with these skills and sending locals out to headquarters."

Companies also realize the need to provide strong career paths for opportunity-hungry workers.

Other companies have tailored their processes to emphasize the region's innovation strengths. "We run R&D more like a manufacturing process," said Liang. "We leverage the creativity of the marketing folks, who identify what customers in different markets will need, and of our advanced research group, which defines new technical platforms. This information goes into our disciplined R&D machine, which consistently creates great products that are on time, on cost and of the highest quality."

Because experienced talent is so important for innovation, but still in short supply in the region, companies with a long-term presence in Asia also work to maximize mentorship of young employees by company veterans. "As in many cultures, new people are often reluctant to say, 'Hey, I'm new here. Can you help me?' So we form strong teams and pair new engineers up with very experienced people so they have the sense of belonging to a team and develop the design skills they need," said Kay.

Companies also realize the need to provide strong career paths for opportunity-hungry workers. "Asian talent is very ambitious," said Thompson. "They constantly push for growth and next career steps. But a good innovation environment with growth, freedom and coaching is not easy to find in Asia. So we work very hard to nurture that culture in Diageo in Asia, and it is working well."

THE FUTURE OF ASIAN INNOVATION

As Asian markets continue to grow, they are becoming more of a focus for multinational companies — and will spur more innovation in the future. "We were previously very focused in mature markets, but Asia has become the focus over the past few years," said Thompson. "Over the next 10 years, Asia will clearly lead the other parts of the world within Diageo in premium and luxury product development."

The region may also become a growing exporter of innovation, something that rarely happened outside of Japan and Korea in the past. "When we first started our division here, we thought Asia would be the largest market for these lower-cost solutions," said Gooi. "But more of the new business has actually been in Europe and the U.S." Agilent, which previously focused on top-tier clients seeking high-end performance, has seen these new products open up a whole new market of smaller Western companies.

Some corporations are starting to view Asia as the best place to debut new products intended for a global market. "Asia is a great 'pressure test' of new integrated solutions," said Life Technologies' Janicki. "If they provide enough total cost of ownership advantages to be successfully adopted in Asia, we know our integrated solutions will work anywhere, because those advantages are usually amplified in other parts of the world."

Meanwhile, governments in the region are doing everything they can to stoke the fires of innovation further. In general, the executives we spoke with felt that pro-innovation tax incentives and grants in countries such as Taiwan, Singapore, Malaysia and China have been beneficial to their innovation efforts in the region. "China now has an advantage in this area," said Haier's Wang. "The government provides stronger support for innovation than Western countries, especially for environmentally friendly and energy-efficient products."

Over time, the most innovative companies will make sure that all regions, particularly Asia, play a key role in their innovation engines for an increasingly global market. "In our company, innovations for Asia can be as much breakthrough or as value-added as from any other regions," said Chien. "We believe this is the best way to upgrade the overall technical capabilities in a multinational company."

Ultimately, Asia's innovation engine is poised for greater things in the coming years as companies increasingly harness the region's innovation power to meet the needs of both the local market and customers around the world. The challenge for these organizations will be to build the necessary innovation leadership and talent base.

ABOUT THE AUTHORS

Al Climent manages the firm's Silicon Valley office located in San Mateo and is a member of the firm's Technology, Communications & Media Practice. Based in the firm's Hong Kong office, Tim Hoffman is a member of the Human Resources, Industrial, Information Officer and Technology, Communications & Media practices. Malini Vaidya is based in the Singapore office and leads the firm's Consumer Goods & Services Practice for the Asia Pacific region and is a member of the Financial Services Practice. Tom Yu is based in Shanghai and leads the firm's Industrial Practice in the Asia Pacific region.

The new Asian multinational company

SACHIN RAJAN, *Mumbai*
JWEE SAN TAN, *Beijing*
TOSHIKAZU YABUNO, *Tokyo*

The Asian multinational has been defined by global brands such as Toyota, Honda, Hyundai, Samsung and Sony — Japanese and South Korean companies that emerged on the global scene in the 1970s, ’80s and ’90s and influenced product innovation and best practices in manufacturing and business processes in companies around the world.

A new generation of companies emerging from Asia Pacific is poised to have a similar impact on the way the world does business. Companies such as Tata Steel and Infosys in India and Lenovo, Chery Automotive and Haier Group in China already have become major forces in their respective industries, and many other Asian companies are working toward achieving their multinational aspirations.

This new breed of Asian multinational arrives on the scene with some built-in advantages, including enormous domestic markets that provide significant scale and momentum. Consider that the 2009 *Fortune* Global 500 list includes 145 Asia Pacific companies, 29 percent of the total, including nine newcomers this year from China alone. And they may well benefit from those who came before them; the success of Japanese and Korean multinationals has shown that customers around the world will be open minded about new brands that prove themselves in the areas of design, quality and value. High domestic savings rates, government support and companies' willingness to make big-ticket acquisitions and strike high-profile partnerships also fuel outward expansion.

Those companies looking to stake ground in global markets face challenges, however. They must create and sustain brands that appeal outside their home markets, drive innovation to create differentiated products and services, navigate a range of political and regulatory frameworks and evolve their organizations to effectively manage far-flung and diverse operations. Those relying on acquisitions to propel growth must overcome cultural and other differences to successfully integrate new overseas operations. The most critical challenges are likely to be around talent — acquiring the leadership skills and knowledge base to compete on a global stage and simply keeping pace with an accelerating demand for senior leaders.

We had conversations with leaders from a number of emerging global companies from Asia Pacific to get some real-world perspectives about the opportunities and challenges ahead for these fast-growing businesses.

GOING GLOBAL

Clearly, some of these newcomers have their sights set on becoming the top global consumer brands in the tradition of the earlier generation of Asian multinationals. One of these is Haier Group. "Our goal is to be the No. 1 company in the world in our category and in the regions where we expand, and to have a profitable business wherever we are," said Dr. Taoming Wang, chief strategic and technology officer for Haier. To help fuel its growth in new product areas, Haier has entered into partnerships and joint ventures with other leading companies, recently announcing that it has acquired a 20 percent stake in Fisher & Paykel Appliances, the New Zealand-based high-end white goods maker. Core to Haier's plans over the long term is improving the company's ability to innovate. "Innovation will be the key. To be a leading

Patent performance

In 1978, only five Asia Pacific countries were represented among applicants for U.S. patents — Japan, Australia, Hong Kong, Taiwan and New Zealand — for a total of 310 patent filings. Patent filings from Asia have accelerated in the past 10 years. In 1998, more than 2,400 applications were filed by applicants from Asia Pacific countries — by 2008, more than 6,800 were. The number of filings from Chinese applicants alone grew from 16 in 1998 to 647 in 2008. Meanwhile, Japanese applicants represent 16 percent of filings to the European Patent Office and South Korean applicants, 3 percent.

Source: U.S. Patent and Trademark Office, European Patent Office global company, we need to compete on equal levels with the world's top brands and not simply copy," Wang said.

Among Tata Group companies, there is an orientation toward international growth, but this is not dictated from above, according to Dr. Satish Pradhan, group head of human resources at the Tata Group. Several of the companies within India's Tata Group conglomerate are already among the largest players in their fields globally, a result of an approach combining dramatic organic growth and selective acquisitions. For example, Tata Steel's acquisition of Corus elevated it to the sixth largest steel maker in the world. Tata Tea is the second-largest branded tea company in the world, through its U.K.-based subsidiary, Tetley. Tata Motors is among the top five commercial vehicle manufacturers in the world and it recently acquired Jaguar and Land Rover. Tata Consultantcy Services has delivery centers outside India in the U.S., U.K., Hungary, Brazil, Uruguay and China.

"The Internet is global but also extremely local in its practice. Understanding the local nuances is critical to success."

For Bharti Airtel, the leading telco in India, pursuing global expansion comes as a natural corollary to having nearly perfected a low-cost, value-for-the-money business model. India's hyper-competition and very low tariffs have driven Bharti Airtel to continuously innovate and fine-tune its operating model. "Our vision is to be the most admired brand: to be loved by more customers, to be targeted by top talent and to be benchmarked by more businesses," said Atul Bindal, president of Mobile Services for Bharti Airtel. "Fulfilling this vision necessarily involves pursuing operational excellence and customer excellence through paradigm-shifting innovations like network and IT outsourcing, rural thrust and new products." Given the nature of wireless markets, such an operating model can be an effective lever across different markets and varying geographies.

Alibaba's global aspirations vary by business unit. The Internet company's flagship, Alibaba.com, for example, needs to be global to facilitate the small and medium-size business exchange, its key customer base. Created originally to link small Chinese suppliers with Western customers, Alibaba.com is increasing its investment in programs to support domestic trade and imports into China. In an interview with *The Financial Times* in January 2009, Alibaba founder Jack Ma provided a glimpse into the future he sees for the exchange, "In Europe there are so many SMEs. Why not help them to China? Why not help them to America? Why not to India and Japan? Alibaba has changed already. I cannot imagine Alibaba as China-centered."

As they expand their global footprint, both Haier and Alibaba emphasize the importance of local knowledge and perspective to the success of their businesses abroad. Haier, for example, is approaching its goal of being "local" in American and European markets via localized design, manufacturing and sales processes. The company has set up production facilities and plants in the U.S., Italy, Pakistan, Jordan and Nigeria.

Alibaba takes a similar approach when entering new markets. "The Internet is global but also extremely local in its practice. Understanding the local nuances is critical to success," said David Wei, president of Alibaba.com. While Alibaba directly manages operations in China and other overseas Chinese markets, in other markets, such as India and Japan, it relies on partners to take the lead and manage operations. "No one understands the Japan or India markets better than Japanese or Indians," explained Wei.

Even as they preserve core values, companies need to adapt as they grow and encounter new opportunities and challenges.

ICICI Bank, India's second-largest bank, began its outward push more than five years ago to better serve its Indian business customers and individual clients in other countries. Like many businesses expanding internationally, it tends to start in a new market with a core Indian team. ICICI Bank has also concluded that it's important to have multicultural teams who understand local laws and cultural patterns, said ICICI Bank Chairman K.V. Kamath. "We still tend to have a strong team from India — in some cases, the leader, but not always — but very quickly these organizations become multicultural. This is something we have learned to appreciate and value, so multicultural and multilingual teams have become the norm for us."

THE LEADERSHIP CHALLENGE OF GROWTH

A critical challenge for fast-growing companies from any region is balancing the need to adapt and evolve the organization to support growth and accommodate the demands of new markets and changing economic conditions, while preserving the values and culture that have been instrumental to its early success. This can be particularly challenging when acquiring companies from other regions with their own distinct brands and processes.

"As Alibaba expands, we want to make sure that our culture and values are not diluted," said Wei. For example, a core company belief that "less is more" reflects leaders' desire to retain the nimbleness of its early days. "That takes discipline — in our strategy and our plans. We want to keep everything small and lean and retain the spirit and energy of a small company. When a certain business becomes too big, we break it down," said Wei. The company fosters its values in part through its annual review process; in fact, half of an employee's evaluation is based on the company values, not just results. "We put customers first, employees second and shareholder's interest third. This is our bible," he said.

Rather than a traditional command-and-control model where dictates come from the top, the Tata approach is to influence decision making through the conversations that occur among the leaders of the

Company Snapshot

Alibaba Group was founded 10 years ago by Jack Ma, a former English teacher who saw potential in the Internet as a way to bring together thousands of small Chinese suppliers with buyers around the world. Today, the company is a family of Internet-based businesses, providing business-to-business trade, retail, business management software and classified listings. The privately held company reaches Internet users in 240 countries and employs 12,000 people in more than 40 cities in mainland China as well as Hong Kong, London, Silicon Valley and Taiwan. Alibaba.com, the group's flagship company, has been publicly listed in Hong Kong since 2004. Yahoo! took a 40 percent stake in Alibaba in 2006.

Bharti Airtel is India's largest mobile phone service provider with more than 100 million subscribers, making it the third-largest single-country operator in the world by subscribers after China Mobile and China Unicom. Bharti is adding 3 million subscribers a month as it expands into India's more rural areas; while India's mobile market is the fastest-growing in the world, Bharti believes its low-cost model can be successful in other developing markets, especially in Africa and the Middle East. The company is controlled by Indian businessman Sunil Bharti Mittal and is 30 percent owned by Singapore Telecommunications.

Haier Group is China's largest appliance company. Founded in 1984 in Qingdao, Shandong Province, Haier manufactures and markets products in more than 90 categories, including refrigerators and freezers, air conditioners, dishwashers, microwaves, televisions, vacuums, mobile phones and computers. In China, Haier has more than 30 percent market share in four main product categories — refrigerators, refrigerating cabinets, air conditioners and washing machines — and it exports its products to more than 100 countries around the world.

ICICI Bank is India's second-largest bank with total assets of about US$77 billion. The bank has a network of 1,500 branches and 4,800 ATMs in India and presence in 18 countries. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels.

Tata Group companies operate in seven business sectors: communications and information technology, engineering, materials, services, energy, consumer products and chemicals. The major Tata companies are Tata Steel, Tata Motors, Tata Consultancy Services (TCS), Tata Power, Tata Chemicals, Tata Tea, Indian Hotels and Tata Communications. The companies primarily are based in India, but have significant international operations. In 2007-2008, the group had 350,000 employees worldwide and total revenues of US$62.5 billion — 61 percent of which came from business outside of India.

various Tata companies. Each company within the group has its own specific strategies and aspirations, but there is a common "DNA" and set of values across the group emanating from Tata Sons. Overlapping board memberships among Tata companies facilitate this sharing of values and information. "The unifying ethos and the ethical structure and the value orientation comes from Tata Sons, but is reinforced by every operating entity," said Pradhan. "We try to influence decision making, but it is not in the form of a diktat or in the form of a 'I tell. You do.' The footprint of the center is minimal. For example, none of the heads of HR from the Tata companies reports to me, but 80 percent of my day is spent giving time to them because they want to run something past me, get help in doing something, help think through a problem or get my views on a decision they want to take up to their management committee."

This is a hybrid model that combines best business practices from around the world and the entrepreneurial spirit and values that have propelled their businesses to this point.

Even as they preserve core values, companies need to adapt as they grow and encounter new opportunities and challenges. "Our culture is based on people. That should not change as we grow and expand into other markets. There are certain competencies that should not change, for example, our speed," said Wang. "However, we are introducing more flexibility than we've had in the past. For example, in the past, when a leader made a decision, his subordinates followed. We are evolving to a culture that encourages responsibility and accountability and, in overseas markets, we also need to be more responsive to the local needs."

Haier needs people who understand the local markets, but also are willing to do more than take orders from headquarters. "Our people and technology need to be at the cutting edge. We encourage our executives to think outside of their silos and take more initiative, charting their own goals that are aligned to the company's objectives," said Wang. To encourage this mindset, Haier now requires each executive to perform a self-analysis and to set personal and team objectives. "They need to share their goals and action plans with their teams, their superior and subordinates. The goal is to emphasize responsibility and accountability," he said.

Successful leaders at Bharti Airtel blend professional and entrepreneurial capabilities. This combination encourages executives to constantly try new things. "The willingness to challenge status quo and continuously break new ground is a key leadership imperative at Bharti Airtel," said Bindal. "The ability to successfully pursue and deliver innovation excellence in a customer-centric way is what sets our leaders apart. Our managers are able to constantly anticipate customer needs and then show agility and adaptability in recalibrating and modifying value propositions and operating systems to implement those rigorously."

A MODEL FOR THE FUTURE?

Asian multinational leaders say their companies are creating new business models that reflect the values of the East, with its emphasis on people and relationships, and position companies to grow and adapt to market changes. This is a hybrid model that combines best business practices from around the world and the entrepreneurial spirit and values that have propelled their businesses to this point. In doing so, these companies are incorporating the approaches and lessons from a broad range of sources.

"Our company is built on a philosophy that combines the soul and wisdom of the Orient and the Western management system, the skeleton and muscle," Wei said. To expand their understanding of other management approaches, Alibaba executives have visited with Western companies such as Starbucks to study best practices in the areas of HR management and strategic planning and also share learnings with those companies, Wei said.

This approach is paying rich dividends for Bharti Airtel, evidenced by the company's success in Sri Lanka where as a challenger it has grown to become a significant player. "We are a strong believer in and practitioner of best-of-best benchmarking. We regularly study and examine business practices and models of other category players as well as other industries on a continuous basis. Our hungry appetite to adopt and adapt is a huge enabler of this culture, which we hold very dear," said Bindal.

At the same time, business leaders expect that the product and business model innovations being driven by these fast-growing Asian companies will have a broad influence on global business. "Being able to create and manage a successful win-win ecosystem of partners has certainly been a key driver of our success. This has helped Bharti Airtel deliver outstanding, customer-centric value proposition at affordable prices to our customers while still delivering a high level of operational efficiency and effectiveness," said Bindal. "To illustrate, in rural India, we come together with a multiplicity of partners: handset companies, rural cooperatives, microfinanciers, etc., to deliver seamless service and distribution." Today, more than 60 percent of new customers for Bharti Airtel come from rural areas, creating shareholder value and helping change the socio-economic landscape.

Pradhan anticipates that the rise of Asian economies and companies — and influence of Asian leadership styles — will have a broad global impact. "One of the things that will happen inevitably is that we will have many economic centers of gravity. We will see a multicentric economic world, and that has huge implications," he said.

ABOUT THE AUTHORS

Based in the Mumbai office, Sachin Rajan is a member of the firm's Life Sciences, Technology, Communications & Media and Consumer Goods & Services practices. Jwee San Tan is based in Beijing and is a member of the Industrial and Consumer Goods & Services practices. Based in Tokyo, Toshikazu (Toshi) Yabuno is a member of the firm's Financial Services and Private Equity practices.

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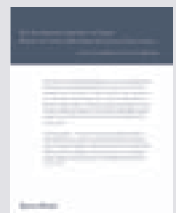

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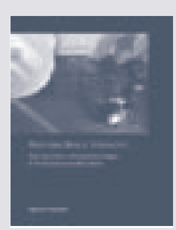

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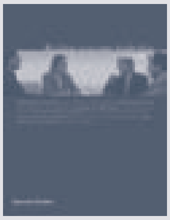

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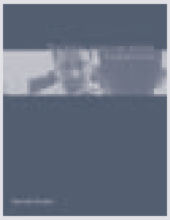

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