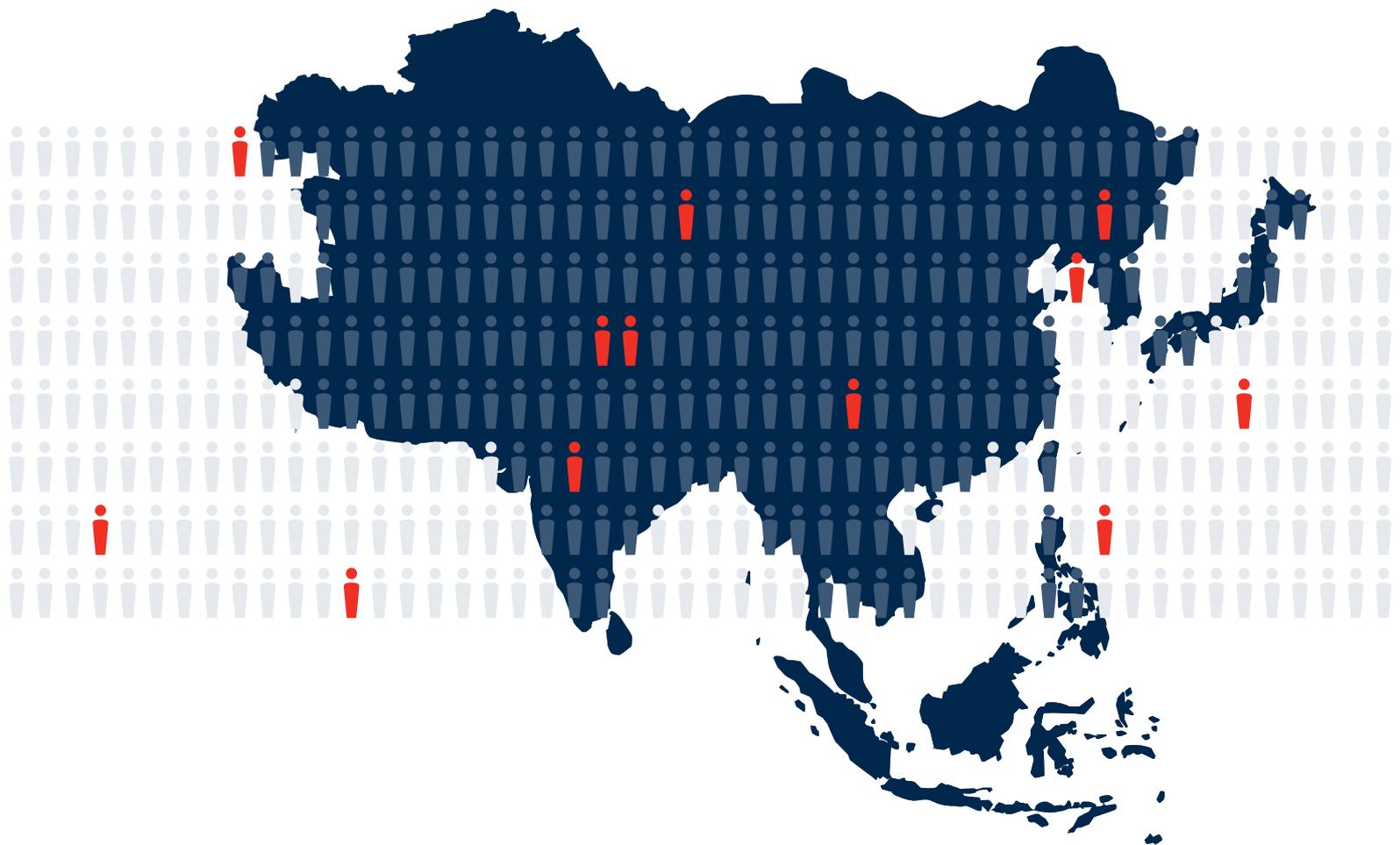


Building a Sustainable Leadership Pipeline in Asia

A report by Egon Zehnder International
& Human Capital Leadership Institute



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Economies across Asia have been growing at unprecedented rates in recent years, and yet the supply of leaders to sustain that growth has been far harder to ramp up at anything like the same pace. As Asian businesses' success sees them emerging as global players in their respective sectors, this leadership gap represents a major risk to their longer-term sustainability.

The Leadership Challenge: what do CEOs see as the problem?

With annual growth rates routinely between six and eight percent or more in many economies, and very young populations in demographic terms, it should come as no surprise that leadership talent is scarce in Asia. Leadership pipelines are bound to be under strain in such a scenario.

Yet CEOs of both Asian companies and the regional operations of multinational companies see challenges that need to be overcome above and beyond these inherent socio-demographic issues. Given the importance of the Asian region to their growth strategies, they are struck by the apparent inability of many of their best Asian executives to move rapidly and easily into top leadership roles.

The diversity of cultures in Asia is challenging, as is the complexity of charting navigational routes for leadership development in such a broad and diverse region. Asia is by no means homogeneous. Each country has its own unique culture and context. Nonetheless there are some common themes that many CEOs believe is important to address in order to underpin long-term success.

Egon Zehnder International and the Human Capital Leadership Institute (HCLI) canvassed CEOs from across the region to understand what their talent concerns are and what steps they are taking to address them. We held structured interviews with 16 leaders of Asia-headquartered companies, plus 10 Asia Presidents of multinational companies, focusing on what they see as the greatest talent challenges for major corporates operating in Asia, and where they feel they are making the most powerful contributions to addressing those challenges. What emerged were some clear diagnoses of four main issues that companies in Asia face and, despite the inevitable variety of contexts and experience across the region, the five critical steps that appear to be generally applicable in treating the problem.

Leadership Challenges in Asia – CEO perspectives

Asia's diversity & complexity

Asia is famously culturally diverse, and while this is one of its great riches, this diversity also makes managing effectively across the region challenging. A leadership style that works in Beijing is not likely to be as effective in Bangalore. Many companies find they grow more rapidly in the short term where they localise management, ensuring that staff have a deep understanding of the culture and context of their respective markets. Yet this does little to build cultural adaptability into the leadership team and merely “bandages” the situation as a whole over the medium to long term. Compounding this is a perceived difficulty of discussing cultural differences in an objective and factual way without resorting to stereotypes and thereby potentially offending sensibilities. As a result, informal discussions of these issues dominate, making it harder for companies to address perceived differences systematically through development programs and other formal mechanisms.

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Lack of mobility

Some important Asian talent pools are characterised by a lack of mobile professionals. This can be the result of an unwillingness to take risks by locating to other countries, of a lack of linguistic skills (especially in the lingua franca of the business world—English), or of specific cultural values, such as a strong obligation to care for elderly relatives. This lack of mobility can hamper the development of regional executive talent, and can make companies less nimble than they would like to be when they spot growth opportunities in other countries. Strong growth in many Asian markets is also a factor in reducing the mobility of Asian executives. It can be difficult to persuade them—and their bosses—to post them to a different country in order to build their capability as regional and global leaders.

Inability to communicate with impact

The CEOs we spoke to felt that too many of their Asian executives seemed unable or unwilling to communicate with impact—especially in discussions regarding their companies' strategies. Numerous reasons for this are cited, such as the colonial legacy in many Asian countries and the regimented nature of some education systems. Whatever the reason, CEOs remark that talented Asians in their organisation often punch below their weight in discussions that shape the direction of the company. This means that important Asian perspectives may be given insufficient consideration at Head Office when decisions are made about the future direction of the company. And critically, it makes Asian leaders' abilities less visible vis-à-vis their peers, and limits their promotability.

An unsustainable war for talent

In a very “hot” market, higher levels of attrition are perhaps inevitable. Nonetheless, it is important to recognise that for many Asian corporations, and even for the individuals directly affected, high employee turnover has an important impact on the ability to build an effective cadre of local leaders. Talented young executives who move on every year or two may achieve rapid promotion and salary increases, but they may also miss

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some of the learning that comes from building a business over the longer term. Seeing through strategic initiatives, experiencing an entire product life cycle, and leading teams through good and bad times are important experiences that cannot be rushed. Moreover, leaders who have themselves adopted quite a “mercenary” mindset earlier in their careers may find it harder to inspire loyalty in their own teams as they become more senior.

Five steps to building a sustainable Leadership Pipeline in Asia

STEP ONE | Localise first

Most CEOs agree that in the short to medium term, a very effective strategy to maximise local market penetration is to localise the management. At a time of high growth, when in many sectors there is a “land grab” underway to secure market share and build brand perception, this appears to be the safest approach. Having executives on the ground who have a good understanding of the local language and culture, and who often have the networks to match, can mean stealing a march on less well-equipped competitors in the critical early years of building market presence. There may be some cost to this approach in terms of difficulties of communication with HQ, whether located in another Asian country or elsewhere. However, as long as local affiliates are acting within the limits of appropriate ethics and business standards, localisation ensures the best trade-offs in terms of maximising the availability and impact of talent for rapidly growing multi-territory businesses in Asia. Coupled with localisation, some CEOs believe that the “diversity” of Asia should be embraced and “played as a strength”. This requires a significant shift in mindset. Instead of arguing about cultural differences, leaders have to learn to recognise, celebrate and leverage differences. The ability to communicate openly about cultural differences can lead to mutual learning, and greater organisational adaptability. To this end, one of the companies in this study has opened an academy or learning hub that “aims to mitigate the roughness of the West and harden the edges of Asians”. This kind of coaching on the soft skills required to succeed in Asia can provide a much-needed differentiator.

STEP TWO | Plan international career moves early

Despite the necessity of building cadres of local talent in each market, it is also clear that this in itself is not going to be sufficient to meet multi-territory Asian corporations' leadership needs over time. By definition, on its own this tactic would risk reinforcing some of the local barriers to the formation of fully-fledged Asian regional and global powerhouses. It is necessary to understand that one is “managing the future, not just today”. Those CEOs thinking further ahead invest in identifying key talent with the ambition and the potential to grow beyond the local market early in their careers, and give them international exposure as soon as possible.

Even in some of the more intractable markets for talent mobility, young professionals are far more open to a period abroad, particularly if it offers them rapid learning and visibility versus their peers. Typically, family ties, such as the education of their children, or the need to care for elderly parents, are less relevant earlier in their careers. Also the costs associated with a foreign relocation are lower for all sides when someone is less senior. Most importantly, younger executives' behaviours and personal norms are less entrenched early on and they are more likely to be open to different ways of working.

Creating a culture that values its employees and has a “commitment to its people” is seen by many as the “key to creating a sense of identity and belonging”.

STEP THREE | Maximise use of temporary cross-border job moves

While implementing relocation of talent at the beginning of their careers is a strategic necessity, this will take time to feed through to the broader supply of seasoned management talent. Some CEOs are complementing this approach with shorter-term, temporary moves which do not require a full-scale relocation but which provide executives with exposure to different ways of working and allowing them to build up their international networks. With this in mind, strategic projects, temporary placements, job shadowing, site visits and other opportunities to deploy key talents on short-term work-related activities, are seen as strategic leadership development assets. These measures are viewed as investments rather than simply as costs, and the staff channelled into such projects are carefully chosen to maximise the company's ability to build the long-term leadership pipeline, as well as deliver short-term P&L benefits.

For example, one of the companies in our interview group advocates sending employees on exchange programmes to benefit from operating in various cultures and office locations, which serves as an informal means of learning and training. This “pre-opening task force programme” is an opportunity to go on a 6-month exchange with an agreed return date, as opposed to the more typical two-year expatriate assignment.

STEP FOUR | Over-invest in training tailored to regional needs

Attrition sometimes suggests that there is little point in investing in developing key talents, but the opposite is true. CEOs who want to keep their key talents strive to invest in building the best facilities and programmes to reflect their commitment to the individuals they are developing. In doing so, they build a culture that is rooted in loyalty. Some CEOs interviewed stressed that in the long-run, “loyalty is the only thing that will help reduce attrition”. Providing an attractive remuneration package is not a long-term solution; by contrast, creating a culture that values its employees and has a “commitment to its people” is seen by many as the “key to creating a sense of identity and belonging”. Most of the companies we interviewed have either established regional training programmes or are in the process of doing so.

One company has set up a People Development Unit which tracks employees who have been through the in-house academy for three years to see if they have been promoted at least twice in that time to remain in their high potential programme. They have varied tracks for different levels and types of employees; along with the management development programme there is also a talent management programme that targets mid-level individuals. Front-line personnel benefit from a fast track programme or secondments around the region.

CEOs need to lead the talent agenda themselves if the necessary focus, expertise and resources are to be brought to bear to make a real difference. This cannot be delegated.

STEP FIVE | Make personal time for mentoring key talent

CEOs themselves and their direct reports need to step up personally to the challenge. The sheer pace of growth in many Asian markets means that running a company in the region can impose huge challenges on an executive, just to keep up with operational responsibilities day to day. Too often in this context, senior executives try to delegate any development work to HR teams or external coaches. Yet the brutal reality is that it is even more important for the leaders of such high-growth companies to set aside meaningful time to mentor the next generation. Only with this “passion to develop their people” can CEOs and their reports be sure that they are building the right talent assets to guarantee the company’s future. Only with very visible senior management time commitment, and a willingness to actively sponsor key talents, will those talents feel appropriately valued.

As one Regional President put it, “We have to provide air cover, that is, full support from higher-ups for these leaders.” That way, he explained, they would feel confident in the organisation’s determination to support them through their career, and be prepared to take the necessary risks.

In conclusion, it is clear that all business leaders seeking to address talent management effectively need to face certain realities. Firstly, and most importantly, CEOs need to lead the talent agenda themselves if the necessary focus, expertise and resources are to be brought to bear to make a real difference. This cannot be delegated.

Secondly, the CEO alone cannot do what is needed. There needs to be the right degree of alignment with his or her agenda throughout the business at the local level and at headquarters. Only then will key high potential talents be properly identified and prioritised for international exposure and longer-term development, and given the opportunities and support to help them realise their potential.

Finally, the organisation's processes and systems need to be sufficiently developed to support the leaders of the business and the key talents in this endeavour. The right pipeline of talent will only emerge if key support processes such as succession planning, career management and management development are effectively structured and resourced to meet the needs inherent in the corporate strategy. Companies with this combination of top-down leadership, well-aligned key business leaders, and effective business processes will come out ahead in the Asian war for talent.

Five ways to retain leadership talent

1. Empower staff

This implies a more flexible, entrepreneurial and pragmatic approach towards talent, and an organizational structure which is built around businesses at the country level and the functional level. As long as it is combined with clearly understood standards of business, which usually translates into a clearly defined corporate culture, this obviates the need to always check-in with or report back to headquarters.

2. Demonstrate commitment from the top

High visibility of the CEO and the senior leadership team projects the sense of involvement in daily dealings to the rest of the employees. If the CEO commits personal time to leadership development, it sends a strong statement about the values of the organization.

3. Recognise and reward

Properly aligned incentives, which are to an extent customised to career and personal development, motivate individuals and underline the fact that the organization is taking care of them. This will inspire loyalty to the company in the long run.

4. Invest in being a long-term “educator” for employees

An organization that gives employees multiple opportunities to learn, nurtures personal growth in individuals. Some of this investment may be lost if those employees are tempted elsewhere, and this has deterred some companies from going down this path. Yet the evidence is clear that high-potential employees recognise the value of an environment where they can grow. There are many routes that companies can take to create such an environment: academic learning opportunities; on-the-job training;

upgrading through online learning, job rotation/project work and coaching on behavioural issues were all mentioned to us as important parts of different companies' approach. Those who invest in this way will build greater loyalty and raise the bar for any competitors trying to poach key talent.

5. Always actively plan succession

Done well, active succession planning benefits both the organization and its employees. For the organization, it helps chart a realistic plan for the future as well as the present. Identifying potential individuals who, with the right type of development opportunities, will rise up through the ranks in years to come, clarifies where there are leadership challenges to growth, and helps highlight the critical nature of building a succession pipeline for the future. It also puts the organization in a better state of preparation, should some key individuals choose to leave. At the same time, the high potential employees who have been identified as future leaders have a clearer notion of how they are viewed, and how they will need to develop to reach their full potential.

10 ways to help your Asian talent rise to the top

- 1.** Have a supportive mentorship programme, including mentors from outside the region.
- 2.** Ensure there are opportunities for key talent to build visibility with senior management, e.g. through helping present progress on key projects or overall results.
- 3.** Equip individuals with the skills needed to speak their mind among senior leadership through presentation skills and language courses, etc.
- 4.** Allow for brief secondments to headquarters so that people can learn how to navigate through the corporate centre.
- 5.** Have a centralised budget for employee development to ensure uniform investment across the region.
- 6.** Involve Asian high potentials in global strategic projects to give them broad exposure to the corporate agenda, culture and colleagues.
- 7.** Ensure company infrastructure supports good internal communication in Asia, e.g. investing in Mandarin email capability if needed.
- 8.** Stretch and push individuals to think creatively and "out-of-the-box"; inspire an entrepreneurial spirit and courage.
- 9.** Be more strategic in the hiring process to bring in the right talent; think in terms of both "intellectual ability and emotional bandwidth".
- 10.** Move high potential individuals into "leadership positions sooner rather than later".

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