

Creating a Generation of Asian Business Leaders

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The center of gravity in the global economy is rapidly shifting to Asia. The region, led by emerging market powerhouses India and China, is first out of the gate in the global recovery and building on its lead. This is more than a simple economic resurgence. A new, 21st century model for success that has the potential to endure for decades is taking shape.

With all of Asia's promise, the market also presents considerable risk. Success will come down to the quality of leadership talent, particularly local talent, in place. This talent will be different than any previously sought in Asian markets. Leaders must be more participative and less directive, more strategic and less operational.

Research data from executive recruiting firm Korn/Ferry suggests the leadership style required to meet this need is in short supply. To understand the emerging leadership and development needs in the region, the forces propelling the Asian economy forward at such a rapid pace must be examined first. There are three fundamental shifts at work:

The consumer shift: This is the most critical shift under way. Asia's middle class is growing at a frenetic pace. During the next two decades, the ranks of the middle class in Asia will swell exponentially. The Brookings Institution estimates that nearly two-thirds of the world's middle class will reside in Asia in 2030, more than double today's figures. As the new middle class emerges, so will new attitudes toward consumption. A recent Credit Suisse survey of emerging consumers also indicates an increase in discretionary spending in India and China.

The innovation shift: Companies such as GE and Tata recognize the need to adapt their products and services to the burgeoning middle class. This has unleashed a wave of innovation. According to its Ministry of Commerce, China is now home to more than 1,200 foreign-invested research and development centers.

The workforce shift: If companies are going to succeed by creating new types of products and services for a new type of consumer, they will need a new type of employee. Asian managers have historically focused on building a low-cost, high-productivity workforce. The emphasis is now shifting to developing a creative pool of talent that can generate and implement breakthrough ideas. Singapore is noteworthy for increasing research and development spending more than 20 percent in an effort to further transition from manufacturing to a knowledge-based economy.

These shifts present companies doing business in Asia with a whole new set of challenges. No longer can strategies be replicated as companies move into new markets. Instead, new strategies are necessary to generate growth in previously underserved segments. Likewise, go-to-market methodologies need to be customized for the particular opportunities and threats inherent to a situation, and not just at the country level, but sometimes by city.

The Leadership Challenge

These shifts and the corresponding challenges culminate in the need for a new type of leader — the Asia 2.0 leader. This person doesn't automatically stick with what has worked in the past, but questions the status quo. The individual has local knowledge and savvy, but also can operate on a global stage. The person may not issue commands, but instead actively engages others' thinking and participation. This leader doesn't just set a direction and stay the course, but responds nimbly to environmental changes.

Particular aspects of Asia 2.0 leaders' style clearly differentiate them from their 1.0 predecessors. Figure 1 shows a comparison of leadership styles based on two dimensions: focus and style of decision making. Four distinct styles emerge from 2.0 leaders.



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

Korn/Ferry analyzed the prevalent leadership styles of 100 top executives in China and 99 in India and compared them to 1,000 top-rated global executives. The picture that emerged is stark. Even as the need for Asia 2.0 leadership becomes more critical, the executor and controller styles that distinguish the classic 1.0 approach to leadership remain dominant in Chinese and Indian C-suites. The energizer and integrator styles essential to 2.0 leadership — and more common to top executives the world over — were in much shorter supply.

The findings were further validated by looking at a broader pool of candidates for executive and managerial roles in Asia. These results also confirm the pool of available talent ready to lead in the Asia 2.0 business environment is shallow.

Reviewing assessments of 1,246 executives and 642 managers who were finalists for top-level jobs, Korn/Ferry found few had the competencies needed for the future (Figure 2).

FIGURE 2: ARE ASIAN LEADERS TOUGH ENOUGH FOR THE FUTURE?

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

Source: Korn/Ferry, 2010

New Challenges, New Solutions

To build sustainable success in this rapidly growing marketplace where talent is scarce, companies need to identify

individuals with the potential to lead and develop them fast. The CLO will be the catalyst. The keys to success will be accuracy in assessment and speed in development.

The principal elements to assess leadership skill are fit and agility. Fit will identify which current organizational leaders match the energizer-integrator profile and what gaps exist. The individuals most capable of closing those gaps, getting out of their comfort zone and adapting their skills to meet the demands of the Asia 2.0 environment are those high in learning agility.

Diagnosing the situation is just the beginning. An appropriate set of principles and practices needs to be in place to support and sustain a 2.0-driven learning strategy. This likely will require a significant evolution in how an organization views and invests in talent, especially within regions targeted for growth (Figure 3).

FIGURE 3: THE DIFFERENCE BETWEEN ASIA 1.0 AND 2.0 LEADERS

	Asia 1.0 thinking	Asia 2.0 thinking
How to hire	- Fit with current job specifications - Educational background - Experience profile	- Fit with future leadership needs - Diversity of experience - Behavioral profile
What to assess	- Competence - Performance	- Leadership style - Learning agility/future potential
What to develop	- Managing skills - Rational thinking - Technical skills	- Leading skills - Self-awareness - Emotional competence
How to develop	- Training - On-the-job learning - E-learning	- Apprenticeship - Structured challenges/Stretch assignments - Continuous feedback and coaching - Internal networking
Career growth	- Functional/linear - One-dimensional - Local	- Cross-functional career - Multi-dimensional - International

Source: McKinsey, 2010

Shifting the organization's approach to development is likely to yield the biggest gains. The key here is speed. A lot of development needs to take place in a short amount of time. Shift the emphasis away from traditional methods such as technical training and leadership development courses. They provide essential knowledge but there is often a gap between classroom knowledge and real-world application.

Instead, use the organization as the classroom. Make sure high-potential leaders have assignments that not only stretch them, but provide the opportunity to practice and refine new skills required to lead the future organization. For example, a particular leader may need to assess develop customer focus, strategic agility and skill building effective teams. An assignment to lead a cross-functional team to launch a customer loyalty program or reposition a product to a new market segment might provide the right exposure and challenges to spur development in these areas.

This approach to development requires taking some risks. Success in these assignments should not be guaranteed. A certain amount of development heat needs to occur for the learning experience to leave a deep and lasting impression. Like a crucible heats up a material to such a high degree that it transforms it, an intense, on-the-job development experience can have a similar effect on an emerging leader.

Executed correctly — the right assignment to teach the right skills to the right person at the right time — this type of development can accelerate learning on a steeper path so each shift in leadership style can occur in two to three years rather than seven to nine. When mistakes and even outright failures occur, it is critical not to punish employees. Use the mistake as an opportunity to reinforce learning relevant to the skills targeted for development. Leaders typically learn much more from their shortcomings than their successes.

The Asian business landscape is full of promise and peril. Success will require courage and foresight. Organizations will need the right strategy to develop leaders who are open-minded, engaging, adaptive and creative. The CLO plays a key role in developing awareness of the type of individual needed and providing the framework and resources to identify and develop those with the potential to lead.

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