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ASIA PACIFIC LEADERSHIP OUTLOOK

A Moment of Opportunity For Asia

Perspectives from TRANSEARCH International



In many ways, the global economic recession has wiped the slate clean for many institutions – and individuals – across Asia.

Business leaders intoxicated by the idea that their enterprises would ride the fortunes of high-growth national and regional economies have learned some hard lessons about the interdependencies of the global economy. They can no longer lead in a vacuum nor overlook the hard business lessons learned beyond the Pacific Rim.

Non-executive directors and shareholders have witnessed a day of reckoning for companies that failed to curtail excessive risk-taking and boards that neither understood nor intervened when risk management took a back seat to short-term profit mongering. They now know the high price of indifference and financial instability.

Consumers have also been forced to reset expectations in the face of political instability, corporate downsizing and new pressures related to energy conservation, an increasingly competitive job market, and the need for more robust retirement saving. They have a better understanding of the personal risk and opportunity of the business cycle.

“Good talent does not sit still. They need to be constantly challenged. If we lose them now, what happens once market picks up?” – HR Manager, India

The search for answers to new economic challenges amounts to a search for the new normal, the base line from which institutions and individuals across Asia can renew, reset and revitalize when the only certainty seems a future filled with more uncertainty.

As dawn breaks on a new economic landscape, the sun will illuminate new realities for businesses across Asia and around the world. It will expose the shortcomings of executive leadership and shed light on the kind of authentic leadership required to navigate the uncharted waters and unseen challenges that lie ahead.

The days when, “We didn’t see this coming...”, and, “Who could have imagined...” provided the requisite political and organizational cover for lousy chief executives and disconnected non-executive board members should be over. Effective leadership ethic should be the new standards of organizational stewardship.

Given what they know about this quest for leadership, TRANSEARCH International is delighted to share the exceptionally well-informed perspectives of just some of our top truly responsible business and institutional consultants from across Asia.



The View From China - Many Already Looking Beyond Economic Challenges

Earlier this year, the worst global recession in 30 years triggered a sharp slowdown in the growth of the Chinese economy. Sharply diminished demand for its exports, a tamping of investment streams and the rattling of consumer and investor confidence – as evidenced in other parts of the world over the past 12 months – gave economists, business leaders and consumers reason to question the strength of China's economy.

The Chinese government, which approved plans to infuse nearly US\$600 billion into the economy this year and in 2010, continues to target growth of around 8 percent for its economy for 2009, roughly the same rate recorded in the second quarter.

Seemingly undaunted by the spending pullbacks seen in other world economies, Chinese consumers continue to spend and their optimism for a return to business as usual has already sparked modest gains in factory production. And China's stock markets are surging.



Some may question whether these recent gains are sustainable in the face of significant economic challenges that continue to challenge China's international trade partners.

But the economic fundamentals of the Chinese economy remain largely unchanged and portend a resumption of significant growth in the years to come, due in large part to the increasing leveling of once significant competitive gaps with Europe and the United States.

Be they technology, infrastructure or human resources, China's fundamental economic assets remain shaken but not reversed in terms of their future potential and their ability to change the global business landscape for years to come.

The Chinese consumer will continue to be a global bellwether for the overall health and direction of the global economy, especially as domestic consumption continues to drive sales of everything from new automobiles to consumer electronics.

Given the economic difficulties witnessed earlier this year, many Chinese companies – from the mainland to Hong Kong – have been forced to reduce staff as the organizational focus has been on cost cutting. Others have reduced bonus payments as a way to reduce HR-related costs.

But the focus may rapidly turn back to business expansion and the management and workforce requirements of Chinese companies eager to capitalize on new opportunities and new markets. China's long-term prospects for economic expansion remain solid, and the cautions and difficulties that emerged earlier this year may well prove to have forced a brief reassessment and reconfirmation of its real long-term priorities.



From a purely business perspective, those certainly include the continued development of a new generation of business leaders with the smarts to make Chinese employers even more competitive on the global stage and the global experience to profit from trusted relationships with global leaders in other regions.

China's domestic market alone will continue to drive the expansion of its economy. And as Chinese companies target those local and regional markets across the mainland, they will most assuredly demand world-class managers...more of whom will come from other regions of China with critical global experience, new skills and a refreshed view of potential business challenges they have already withstood.

The View From India – The Emerging Talent Battleground

India is uniquely blessed with the world's youngest workforce, an emerging middle class that dwarfs the population of most industrialized countries, and the challenge of managing long-term growth and providing the infrastructure it demands.

So the significant challenges now faced by the world's second most-populous country are exactly what India hoped to realize. It is a case, says Sanjiv Desai, who heads the Industry Practice TRANSEARCH India from New Delhi, of realizing the price of sustaining incredible economic growth and progress.

"The Indian Government set the course of this growth nearly two decades ago by opening up the economy, lowering trade barriers, encouraging foreign investment and releasing Indian businesses from unnecessary regulation and bureaucratic red tape," Desai recalls. "Unfortunately, the country's infrastructure – which was created in times of much slower growth rates – is now struggling to cope with the spiraling demands of this near double-digit growth. This includes not only harder aspects of infrastructure such as roads, bridges, ports, power and energy but also the softer aspects such as availability of educated and employable manpower."

As companies from around the world continue to set up operations and ratchet up their investments in India, the competition for the best talent is revealing itself as one of the burgeoning growing pains that will force new Human Resources practices.

“Companies and their Human Resources departments will have to focus more and more on their talent management practices to not only attract good talent but also engage, retain and develop it.”

That's because the relative youth of the Indian workforce has put a premium on the most experienced Indian executives with world-class credentials and the capacity to find opportunity and drive performance in markets driven by explosive demographics.


“Companies and their Human Resources departments will have to focus more and more on their talent management practices to not only attract good talent but also engage, retain and develop it,” Desai explains. “This will present a host of new challenges that urgently need to be recognized and addressed if India is to reap the benefits of the rapid growth as we go forward.”

Desai says there are 8 business dynamics that can help organizations create and adjust talent management practices in India with bottom-line results in mind, a number of which also impact companies in other countries across Asia:

1. Unprecedented business growth – With the burgeoning economy, companies in India have never seen such staggering growth rates both domestically as well as internationally. To keep pace with this growth, all companies need the right talent.
2. Increased competition – More and more companies in every industry are now threatened by old and new players as the economy opens itself to give all players a level playing field. Only the fittest and fastest will survive.
3. New markets – Companies that are rapidly expanding their footprints into new markets will face all kinds of new challenges that they have never encountered before. Those that are ready to learn and adapt will win. Talent which is ready to adapt and face these challenges will be the differentiator.
4. Developing and launching new products and services – With the ever-increasing buying power of domestic consumers and the changing competitive scenario, companies will have to continuously innovate and bring new products and services faster and more efficiently to markets than ever before. Those that do not have the skills to develop new products and services will lose.
5. Discarding obsolete products or services – Due to the same increasing buying power and new competitive threats as well as rapid advances in technology and the ever-growing consumer desire for the “newest & latest,” companies will have to deal with quickly decreasing demand for obsolete products and services. Those that recognize this and take decisive action will come out on top.
6. Changing global demographics – As workforces in some countries get older and those in countries like India grow younger, companies will need to work out methods of integrating their globally and generationally diverse workforces. This could be the defining difference between the success and failure of globalization ambitions.
7. Cost pressures – Across industries as the competition increases, the never-ending pressure to reduce costs in all aspects of the business will impact talent management strategies. As the competition for talent heats up, innovative compensation costs could prove the difference between the winners and losers.
8. Global mergers and acquisitions – As more and more Indian companies look at inorganic growth through mergers and acquisitions, integrating workforces of culturally and geographically diverse companies will pose its own critical challenges.



Looking to the future in India, Desai says, the war for talent will only intensify as more and more companies recognize how a rapidly growing market and a burgeoning middle class combine to signal major opportunity.



“This will require the successful creation of long-term strategies for talent management that address not only workforce monetary needs but also their career and personal development, performance-linked rewards, work-family balance and lifestyle improvement needs,” Desai contends. “It is, therefore, the companies that are able to successfully find, attract, engage and retain talent when and where they need those human assets that will win this war for talent and thereby benefit most from these opportunities.”

The View From Japan: Opportunity In Proportion To Willingness To Change

Much in the same way other industrialized economies have taken steps to counter the impact of the global recession, Japan has enacted emergency countermeasures to stem rising unemployment, prop up failing companies and incent investment in industries ranging from agriculture and forestry to waste management and ecology.

“are Japanese leaders open to the possibility of changing this culture and confirming to global talent standards where life-time employment is almost non-existent, but the focus is very much on performance?”

Kazuyuki Sasaki, a partner consultant in the office of TRANSEARCH Japan in Tokyo, says the global recession and disruption of corporate growth across Japan has forced many companies to restructure, reduce production and workforce costs, and focus on strategic mergers and acquisitions.

Yet the short-term affects of this political intervention on Japanese commerce are still unclear, as are the longer-term implications for a new industrial business model for leading Japanese manufacturers.

One major shift already evident in new Japanese business practice, Sasaki shares, is the focus by major Japanese industries to develop profitable operations in places such as China, India and other countries around the Pacific Rim. And the focus is not solely on manufacturing, but rather, business-to-business and business-to-consumer opportunities.

“In past years, most Japanese industries have only considered other Asian countries for production purposes given the lower labor and production costs compared with Japan,” Sasaki explains. “But we see a real difference now in that Japanese companies consider these Asian markets as direct selling markets.”

Sasaki adds that the economies in Asia are quite large (India and China example) and it is an opportunity for Japanese manufacturers and service providers to target those economies with Japanese goods and services. If Japan is able to expand in those developing markets it will help resolve some of the unemployment issues in Japan.



In Japan there is a culture of lifetime employment in companies and the focus is not necessarily on performance orientated executive leadership. The issue is: are Japanese leaders open to the possibility of changing this culture and conforming to global talent standards where life-time employment is almost non-existent, but the focus is very much on performance?

If Japanese companies want to compete more effectively across Asia, they will increasingly confront the necessity of hiring foreign executive talent who can accelerate growth in key Asian markets and work with a more global mindset.

Many Japanese companies have developed successful global and regional operations in recent years, especially in manufacturing-intensive industries such as the automotive, consumer electronics, machinery and equipment, and electronics and semi-conductor markets.

But most have done so with very little change in the composition of their executive management.



“During this period,” Sasaki points out, “Japanese companies should have changed their management style from the traditional Japanese model. But, unfortunately, they could not and still maintain the typical Japanese employment system known for lifetime employment, rampant seniority-based compensation programs, and internal training and promotion systems.”

“Also,” Sasaki adds, “Many have never hired senior executive talent from the outside, neither in Japan nor the foreign countries where they developed new lines of business, except of rare cases.”

When Japan eventually moves out of crisis mode and returns to full growth mode, Japanese companies will only seize new opportunities at the rate to which they are willing to open up and change their long-held, insular approach to executive leadership selection and organizational structure.

“That is when Japanese companies will face the real globalization challenge,” Sasaki says, “And when they must change the management system from the traditional, Japanese model to the new global standard.”

The View From South Korea – Some Leverage Recession To Upgrade Talent

The government in South Korea has likewise been working to address the significant challenges brought by the global economic recession. It has introduced several incentives to promote employment of younger workers and to restructure institutions and corporations at risk of bankruptcy, says Sang Shin Han, CEO of Unico Search/TRANSEARCH International in Seoul.



Han says that the business agenda for Korean corporations depends on the stability – and strength – of their executive-level management leadership.

“The corporations with a strong financial foundation are willing to leverage this opportunity to forge ahead and create new opportunities by hiring A-level leaders,” Han explains. “However, the financially troubled corporations carried out their restructuring plans, in part, by reducing many of their most experienced executive-level employees.”

So it would appear that the Korean companies with the best leadership heading into the crisis now have the advantage of upgrading their talent given the availability of experienced leaders. And those companies that are still struggling – even after the government intervention – likely have lost significant ground. That is because it will be some time before they can attract, hire and replenish the number of top executives required to explore new market opportunities and raise organizational performance.

Demand for “cream of the crop” management executives persist, even during this recession, remains, and while few corporations are adding new leadership positions, Han contends, others are selectively upgrading their management teams and bench of potential management successors.

Much in the same way Japanese companies must diversify their view of executive talent and performance, so too, must Korean corporations upgrade their management talent to global standards, especially given that more than 60 percent of the country’s Gross Domestic Product relies on exports.

“demand for “cream of the crop” management executives persist, even during this recession”

Some Korean institutions have already shifted their talent management practices to recruit, reward, develop and retain top performers more efficiently. Companies of all sizes have assessed their talent gaps, Han says, and a growing number of Korean companies have expressed an interest in hiring world-class management leaders, whether they come from Korea or elsewhere in Asia or beyond.

PUTTING IT TO PRACTICE: CREATING A TALENT MANAGEMENT ACTION PLAN

The TRANSEARCH International team of consultants from across Asia brings significant perspective and consulting expertise to some of the most critical issues surfaced during the global economic recession.

Now that we've framed some of the challenges facing employer organizations in multiple Asian economies, consider these Talent Management Action Steps from Sanjiv Desai in the New Delhi office of TRANSEARCH India. We believe they are relevant no matter what the size of your enterprise nor the challenge of reaching your objectives:



- Invest in workforce planning, employer branding, recruiting and retaining enough qualified and experienced employees at all levels to meet the needs of organic and inorganic growth, sometimes in a great hurry to be able to take advantage of emerging opportunities.
- With the changing age demographics, create a corporate value proposition that appeals to multiple generations.
- Internally develop a strong leadership pipeline to meet future growth requirements.
- Focus on training and development initiatives to round out the capabilities of new recruits who lack the depth and breadth necessary for global roles.
- Capture, manage and transfer crucial business knowledge and relationships.
- Control workforce attrition rates that have become almost a norm and endemic across all industries.
- Design new and cutting edge talent management practices to attract and retain the current younger generation which thinks in a completely new fashion.
- Create an environment that allows senior talent in their second careers to contribute effectively.
- Change the cultural and attitudinal mindset of old fashioned executives who do not understand or do not want to understand the new realities and challenges.
- Integrate different cultures into a rapidly globalizing workforce.
- Manage poor performance and low levels of employee engagement.

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About TRANSEARCH International

TRANSEARCH International has representation in most of the major economic centres of the world with over 50 offices in more than 30 countries and is currently rated as the 9th largest global executive search firm by Executive Recruiter News (ERN). TRANSEARCH International was founded in 1982 and celebrated its 25th Anniversary in 2007. For more information contact the TRANSEARCH Central Office (contact@transearch.com).

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