

what we heard

Unlocking Leadership Potential in Emerging Markets

*Senior Leadership Dinner
June 22, 2015, London*

Egon Zehnder CEO Rajeev Vasudeva recently hosted a dinner for board members, CEOs and chief human resources officers whose operations in China and India give them a strong interest in developing local leaders in these emerging markets. The lively discussion generated the following observations:

The importance of having the right leader in the market. There was general agreement amongst the participants about the importance of the country leader. A good leader can attract talent and build a strong team. New expats coming to the region need to have an open mind and humility for learning new cultures as well as ways of working and leading. In this fast-moving and complex environment, curiosity and adaptive capacity are paramount for success. Rotating expat leaders with an average tenure of three to four years is a high-risk strategy in managing leadership issues in these markets. Successful leaders and companies devote time and energy to developing local talents for succession. Many of our guests felt that this was critical to transition to local management within the shortest time feasible.

The need for a visionary global CEO and CHRO. Economic data shows that if the concept of purchasing power parity (PPP) is used, emerging markets (importantly China and India) today represent more than 50% of the world's GDP and will outpace the growth rate of developed markets in the coming decades. With the changing mix of customers and consumers of MNCs, it will be necessary to change the cultural background mix of senior leadership in the future. But senior business leaders from these markets at regional and global levels are still a minority by far. One guest quoted how the main customers of the oil industry are rapidly shifting from the US to Asia because of the 'shale' phenomenon. Global CEOs & CHROs, in particular, need to drive the investment now in developing Asian talents in order to ensure

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a company's sustained success. Studies in India have shown that companies that have invested in local talent development, rather than just focusing on the domestic market, have ended up being more successful in the long term.

Different markets, different talent pools. India is an exporter of talents for MNCs; the challenge is greater for local Indian companies going global. By contrast, the more 'rounded' Chinese executives are in severe shortage. Local executives tend to be strong on results orientation and effective with a more directive team leadership style; they are often not fluent in influencing and collaboration. Our guests observe that with a higher percentage of the younger generation travelling, studying and working abroad, this is changing. However, it is going to require deliberate efforts to accelerate the development of high potentials from China. A number of our guests' companies have development schemes addressing emerging market leadership challenges.

How to attract and develop emerging market talents. Our guests discussed many aspects of this issue. To summarise: there is a need for an eco-system.

1. Employer value proposition — It is important to communicate and demonstrate an employee value proposition in order to be able to attract high-calibre talent in these competitive markets. Long-term commitment to the region and the degree of local empowerment are important considerations.

2. Identify high potentials earlier on — Our guests discussed the impact of unconscious bias and how one often makes appointments with people we feel familiar and comfortable with. We need to approach talent spotting/potential assessment more structurally and objectively.

3. Defining a career path for high potentials — One of our guests with Chinese background talked about how she benefited from a structured development programme that gave her both the breadth and depth of experience across emerging markets and developed countries. Companies should consider customised development programmes for emerging market leaders, as their needs are often different from those addressed by the generic global programmes. Companies also need to have the courage to take risks in giving identified high potentials greater responsibilities and then support them to succeed.

4. Be creative in managing mobility — Given the exciting opportunities in the local market and attractive compensation packages, MNCs have to find creative ways to give emerging market talents the cross-country exposure and working experience they need to succeed at more senior level roles. In order to minimise the inconvenience of long-term moves, the best practice that has been adopted by some companies is to use three- to six-month swaps between 'East' and 'West'. This allows executives from both developing and developed markets to gain first-hand exposure to the other side of the world. It also helps emerging market talents build relationships with internal stakeholders at the head office. This has proved to be quite effective in dealing with the mobility issue, which is often more complicated in Asia because the decision can involve multiple dependents. Other companies have also followed the approach of strategically locating some global roles in the region to provide development opportunities for local talent. There are several examples of global roles such as global talent director or global sales director/category director, in Singapore or Shanghai.

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Managing cultural diversity is an ongoing process. ‘What good looks like’ for an effective business executive can vary from culture to culture. This difference can be deeply rooted in values and belief. Expats who have worked in a company for many years can play an important role in helping to embed the core company culture. Equally, they can learn from the diversity of emerging markets. For example, Chinese executives can be more pragmatic and faster-paced in approaching innovation; by contrast, Western executives can be perceived as more bogged down by processes. Humility and inclusion from both sides would enable teams to make the best of both worlds.

Globalisation needs to reach to the boardroom. There was a very lively discussion about how best to bring Asian market knowledge into the boardroom. Two approaches emerged:

1. Appointing an Asian non-executive director to the main board — Such an individual can bring first-hand market knowledge to the top table and help bring deeper insight at board level into the

investment, risk and talent agenda in the region. While this is a very popular approach, it is often difficult to identify a species that is conversant with the complexities of the different countries in the region; an India guru who has also worked in Asia doesn’t necessarily have the same in-depth knowledge about China. Long-distance travel for one- or two-day meetings is also not the most conducive approach for deeper engagement and involvement.

2. Establishing an Asian advisory board — The alternative is to build an Asian advisory board that is representative of the region. The advantage is that the company board and executives could draw from a group of Asian advisors for relevant inputs; the drawback is that many boards and the companies struggle to make the best of advisory boards, as they are often less structured and formal.

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