

Winning in Asia Pacific

The British Way



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Leadership in APAC Why APAC ... why now?



Local leaders are crucial to the success of UK industrial companies in Asia Pacific (APAC). That is the strongly held conviction of all of the 50 APAC leaders interviewed for this paper. So why are only half of UK company leaders in APAC locals?

We analysed the causes of this, potential solutions and the likely outcomes of getting local leadership right.

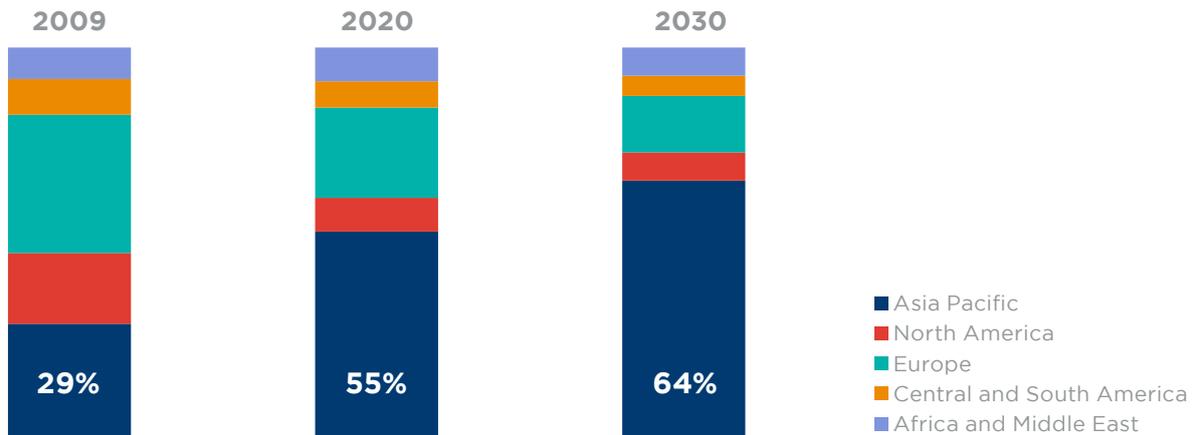
NO BREXIT BLUES IN APAC

While Britain embarks on the arduous process of unravelling European ties and thrashing out possible futures, the APAC region simply powers ahead. Last year (2016/17) the Eurozone grew by a meagre 2%; economies in Asia, by contrast, grew by an average 5.7%. India led the way at 7.1%. China, the second largest economy in the world, was hot on its heels at nearly 7%, with variations in the rest of APAC rarely dipping below 2%.

Asia Pacific now generates 22% of revenues for the top 100 FTSE companies, an amount almost equal to FTSE 100 revenue generated from North America (Bloomberg, 29/04/2016).

Growth in the region is accelerated by sheer numbers; APAC is rapidly growing a vast middle class with a seemingly insatiable appetite for goods and services, constituting a platform for continued growth. By 2030, APAC will be home to more middle class consumers than every other region in the world combined.

ASIA'S SHARE IN THE GLOBAL MIDDLE CLASS POPULATION



Source: Brookings Institute, OECD, Deloitte Services LP economic analysis

GETTING TO GRIPS WITH APAC

For many UK companies, APAC represents burgeoning markets, low manufacturing costs and innovative new business models. Easier said than done.

APAC is not a single entity; each market in the region is quite unique, requiring its own strategy, a deep understanding of government priorities, culture and market, a willingness to nurture local partners, and a long-term view when it comes to talent and leadership. None of it happens overnight. When handled right, APAC markets can prove the catalyst that changes the fortunes of the savvy UK company, but it takes a shrewd understanding of many factors. Most of all, it takes great leadership.

We take a look at the leadership challenges for UK businesses in APAC.

THE LEADERSHIP CONUNDRUM

Despite the arguments for local leadership, 50% of large UK industrial company leaders are still expatriates. Why is this figure so low? Are there problems with culture, values or language? Are APAC business leaders looking for something UK companies simply fail to deliver? What can UK companies do to attract great leadership - and do we know what that looks like, in the contexts we're working in?

We used four methods to investigate the leadership challenges of UK companies in Asia:

- We mapped the 78 leaders of listed and private UK industrial companies operating across APAC.
- We conducted an online survey of 50 UK company leaders across Australia, Greater China, India, Japan and Singapore.

- We conducted face-to-face interviews with local and regional leaders across APAC to identify the advantages and challenges of working in a UK company culture in an APAC environment.
- We looked closely at the boards of listed UK companies to analyse the link between APAC revenue and APAC understanding at Board level.

From our comprehensive survey, three strong themes emerged:

1. **The 'British brand benefit': It remains strong.**
2. **The localisation of leadership: It's an ongoing challenge.**
3. **Understanding Asia: Head office executives usually don't - to the detriment of all.**

The British brand benefit

The British brand remains a point of pride, and with good reason, but it must be recognised for its strengths and its limitations.

‘The image of the UK is high, particularly recently against Trump’s US. London is seen as a top global city.’

Japanese President, UK manufacturer, Japan

‘The British company culture is more democratic than the top-down German culture. It is more compatible with Japan.’

Japanese MD, UK engineering company, Japan

‘Being British is definitely a positive. Employees and clients trust us as a company.’

Chinese MD, UK services company, China

‘UK culture is unique. We focus on values and attitude. Less on numbers, like the US and Germany.’

APAC CEO, UK equipment manufacturer

The good ...

The British brand:

- Values driven, ethical and courteous
- Strong systems, well-thought-through processes
- People-centric and caring
- Adaptable to cultures; human and trustworthy
- Innovative, fast moving

VS

The bad ...

The British brand:

- Bureaucratic
- Hierarchical and indirect
- Too focused on compliance and governance – cannot compete
- Too nice – ‘good losers’

‘We look at Brexit as an opportunity. We want the focus of the board to turn to us in Asia.’

Chinese MD, UK automotive component company, China

‘Integrating people and new acquisitions into our way of doing things has been impossible!’

APAC CEO, UK industrial service company

‘If you work for a UK company in APAC get used to walking away from deals. We don’t compromise on ethics, we don’t use middle men and we apply UK regulations to everything.’

APAC CEO, UK capital equipment company

‘I have always felt that the Brits are good losers. The Americans are nastier winners.’

Chinese MD, UK capital equipment company, China

Source: Odgers Berndtson Survey 2017 – UK APAC Business Leaders

THE BRITISH DIVIDEND

British companies tend to be driven by values rather than rules. The brand attracts, as it inspires confidence, but if the UK standards are perceived as so high as to be bureaucratic, they may also repel. Where a British company's standards are higher than required by the market, the British company will stick to its standards – even though it does not have to.

This can frustrate local employees. A values-based corporate culture does not suit everyone, and may run counter to dominant cultural practices. The region varies hugely in governance and ethics, and integrating local leaders into a culture of doing things according to the highest standards can prove a headache.

Standards apply to products, services, systems, partner relationships and regulatory compliance. UK boards know that they will be in hot regulatory waters if country leaders fail them, and remain unbending on certain issues – which can alienate.

The bottom line is that it takes a certain leader to 'live' these values and not see them as an impediment. If the values ring true, however, the combination of British-brand values and local leadership can create the kind stability, energy and verve that set a company apart.

With the right leadership, UK companies in APAC:

- have zero tolerance for corruption
- benefit from workforce diversity
- refuse to exploit workers
- become deeply integrated with local markets
- stick to safety standards
- meet environmental requirements
- attract, develop and advance local talent

These characteristics should be a rallying call to all leaders, whatever their nationality.

The localisation of leadership - it's a challenge

'Where we can hire locally, we do. Expats have a sense of entitlement.'
APAC CEO, UK engineering company

'Expats are expensive and a compromise. They're the easy way out when we can't find locals who fit.'
APAC HRD, UK capital equipment company

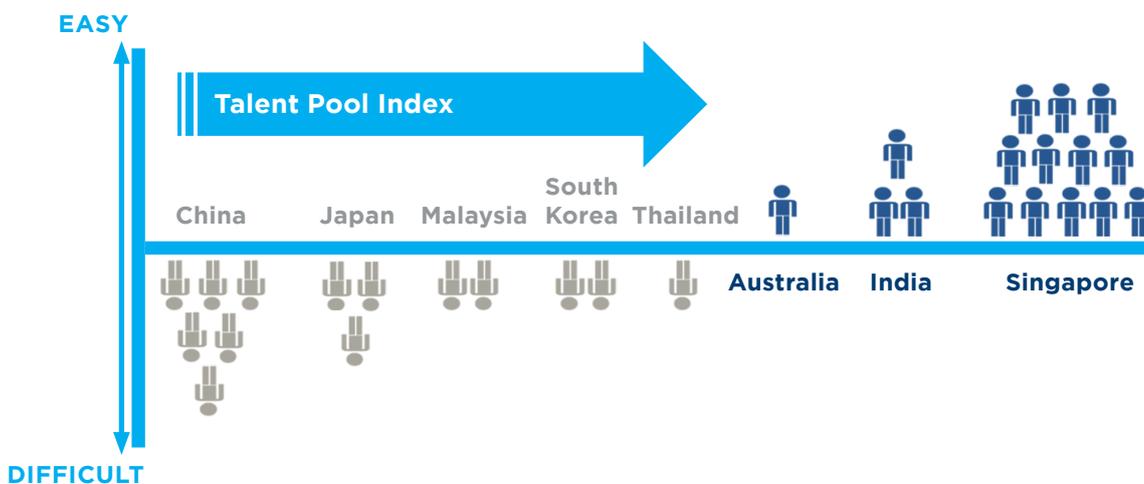
'We hire for our values. It's hard, but it's in our DNA.'
APAC CEO, UK capital equipment company

'I have thrown in the towel with Japan. I can't find local leaders!'
APAC HRD, UK Services company

AVAILABILITY OF TALENT

Responses to the question of hiring locally were mixed. It's the strong preference - but where values drive selection, hiring challenges are complex.

We asked APAC leaders to assess their hiring challenges, country by country:



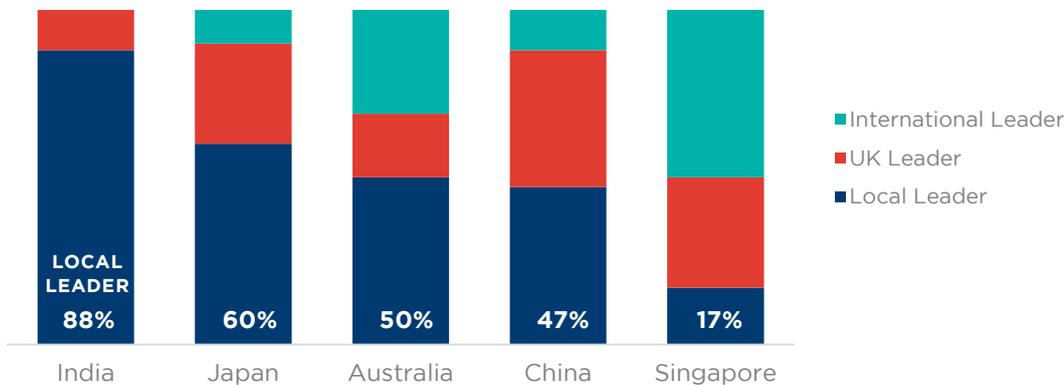
Source: Odgers Berndtson Survey 2017 - APAC Business Leaders

EASE OF DOING BUSINESS

Under the APAC umbrella, availability of talent does not equate with ease of recruiting or doing business. India has a deep pool of talent to hire – the workforce is educated, talented, English speaking and familiar with the culture – and yet it can be a difficult place in which to make money. China is the opposite; difficult when it comes to hiring, but a great place to establish and expand a business, when a company gets the appointments right.

ORIGIN OF APAC LEADERSHIP IN UK INDUSTRIAL COMPANIES

So how many of the leaders in APAC branches of UK companies are, in fact, local? We mapped the leaders of 20 UK company leaders across the region – Amec Foster Wheeler, Arup, Atkins, BMT, BP, Carillion, Coats, Compass, Control Risks, Exova, G4S, GKN, IMI, Intertek, JCB, Morgan Advanced Materials, Mott MacDonald, Rolls Royce, Spirax Sarco Engineering and Senior. We found that half the total APAC leaders are still expatriate appointees.



Source: Odgers Berndtson Survey 2017 – UK APAC Business Leaders

INFLUENCING FACTORS - MARKET BY MARKET



Australia

Australia is a mature market and closest of all to the UK in terms of legislation, governance and ethics. Despite the distance from Europe and the availability of a well-educated local talent pool, we found that 50% of leaders of UK companies in Australia were Europeans. This is not about a dearth of Australian talent. It is a demonstration of an additional talent pool of mobile Europeans attracted by the Australian way of life and unencumbered by cultural, social or language barriers.



China

China presents an incredible scale of business opportunities but is a tough market in which to attract local talent, many of whom now prefer to work for domestic companies. UK firms need to get savvy if they want to attract top Chinese talent; to push their brand as employers, communicate their government and university alliances, stress their commitment to China.

Domestic companies aggressively recruit high-potential Chinese employees. MNCs need to understand what drives them; competitive salaries in combination with clear, long-term career paths, regularly

reviewed. The dramatic pay hike alone does not cut it. When foreign companies actively nurture individual career aspirations, keep the focus, yet welcome a diversity of views, retention of talent is possible.



Hong Kong

Hong Kong has for a long time functioned as an international bridgehead for China, first as a British colony and more recently under the one country two systems arrangement. UK companies have a wealth of talent to choose from. Westernised Hong Kong Chinese or long term resident expats are both in abundant supply.



India

India, with 88% local leadership, ranks higher than any other APAC location we looked at. Expats still consider it a 'hardship posting' and rarely stay for more than three years which means that, despite the difficulties associated with recruiting local leaders in India, it is one of the most important markets to do so. On the positive side, India has a well-educated, adaptable, English-speaking, mobile cadre of budding leaders as well as additional talent pool in the form of the Indian diaspora. This is a place to focus on retaining and nurturing excellent local talent.



Japan

Japan remains a market where the elusive "Global Japanese" executive is in high demand but in very short supply. On top of that many, if not most, of the "A" players prefer to stay with respected Japanese brand name corporations. Over the past decade there has been an emerging niche of Western business leaders who have proven their ability to build, lead, and grow successful businesses in the local market. Lack of language + communication (two discreet yet critical capabilities) are a defining factor in the marketplace.



Singapore

Singapore, at the other end of the scale with 17% local leadership, presents quite different dynamics. It is second only to New Zealand for ease of doing business, and attractive to foreigners for its cleanliness, infrastructure and pro-business stance. The pool of local talent is small, expats are welcomed and taxes are low - all reasons to attract and retain foreign talent.

PUSHING UP THE NUMBERS

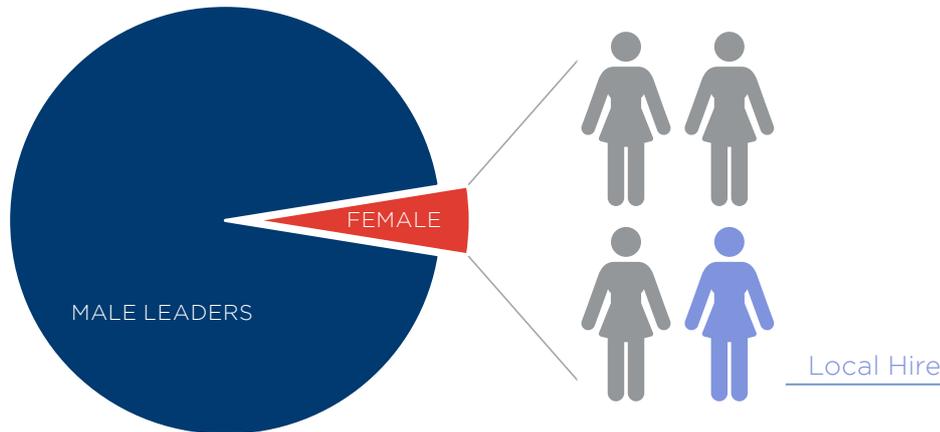
Local employees perceive a glass ceiling. Many companies have failed to create the deep, mutual dependencies within local markets that establish a company as 'quasi local' and therefore a known and trusted employer.

Developing local leadership may require a long, hard look at company culture and development strategies. Asian millennials are under family and societal pressure to climb ladders swiftly. They see themselves as entrepreneurs, not employees, and tend to job hop, which may rob them of the kind of depth and experience needed for top positions. And yet APAC leaders can be found and nurtured; many great leaders are employees who were respected, entrusted and valued, and grew into leadership. It takes a clear focus on developing leaders.

GENDER DIVERSITY – STILL MOSTLY LIP-SERVICE

If UK companies are values driven, that should be evidenced in gender diversity amongst their APAC leaders. However, this is not the case:

- Only four of 78 leaders mapped across the 20 representative companies were women.
- Of these four, only one was a local hire.



Gender diversity is clearly an issue for all companies operating in Asia Pacific. The challenge is to work with local talent – to recognise and develop people, to give female professionals global exposure and to build on the strengths that female leaders bring.

‘I set clear expectations with our search partners that we need to see women on every shortlist’

– APAC Managing Director, UK processing company.

‘At junior level we have great diversity and we are focused on retaining and developing women into leaders’

– APAC HR Director, UK services business

Companies that have a specific focus on “career nurturing” tend to attract and retain the best. Those who respect employees, value diversity, and both nurture and challenge talented employees tend to have higher female representation than those who do not.

Understanding Asia – the HQ disconnect

Over 20% of global revenues of FTSE 100 listed industrial companies are already generated from APAC. It is a region of tremendous diversity and talent, it offers the highest growth of any region; yet leaders in APAC feel that Boards in UK HQs lack understanding of their markets.

‘There is no one at the top table who understands Asia. You spend a lot of time explaining things and asking for approvals.’

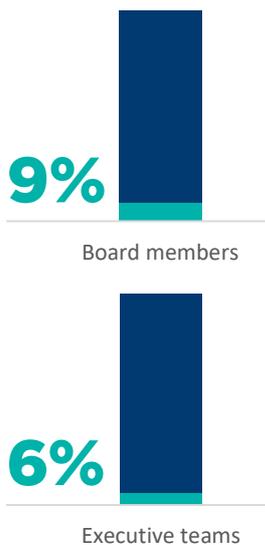
APAC HRD, UK services company

‘My company thinks it is global but it just doesn’t have an APAC connect. None of the board are Asian or have worked here. They are wary of the region.’

APAC HRD, UK manufacturing company

‘If the board are not Asia-savvy, they should at least hire well, empower, be humble and then listen to the people they hire.’

APAC CEO, UK capital equipment company



BOARDS – NOT YET REPRESENTATIVE

We mapped the group executive teams and boards of UK listed industrial companies, and found that only 9% of board members are Asian or expats permanently based in APAC. Representation on executive teams is even poorer at 6%.

Some companies are taking the bull by the horns and purposefully hiring Asian board members. A ‘Tata pedigree’ appears to be a bonus. Coats has an Indian CEO, and recently appointed Alan Rosling, formerly of Tata Sons, to the board. Smiths Group have recently appointed Noel Tata to the board. Compass Group have appointed Ireena Vittal, formerly of McKinsey, who also sits on four Tata Group boards.

Such appointments provide insight, understanding and networks in an increasingly important region.

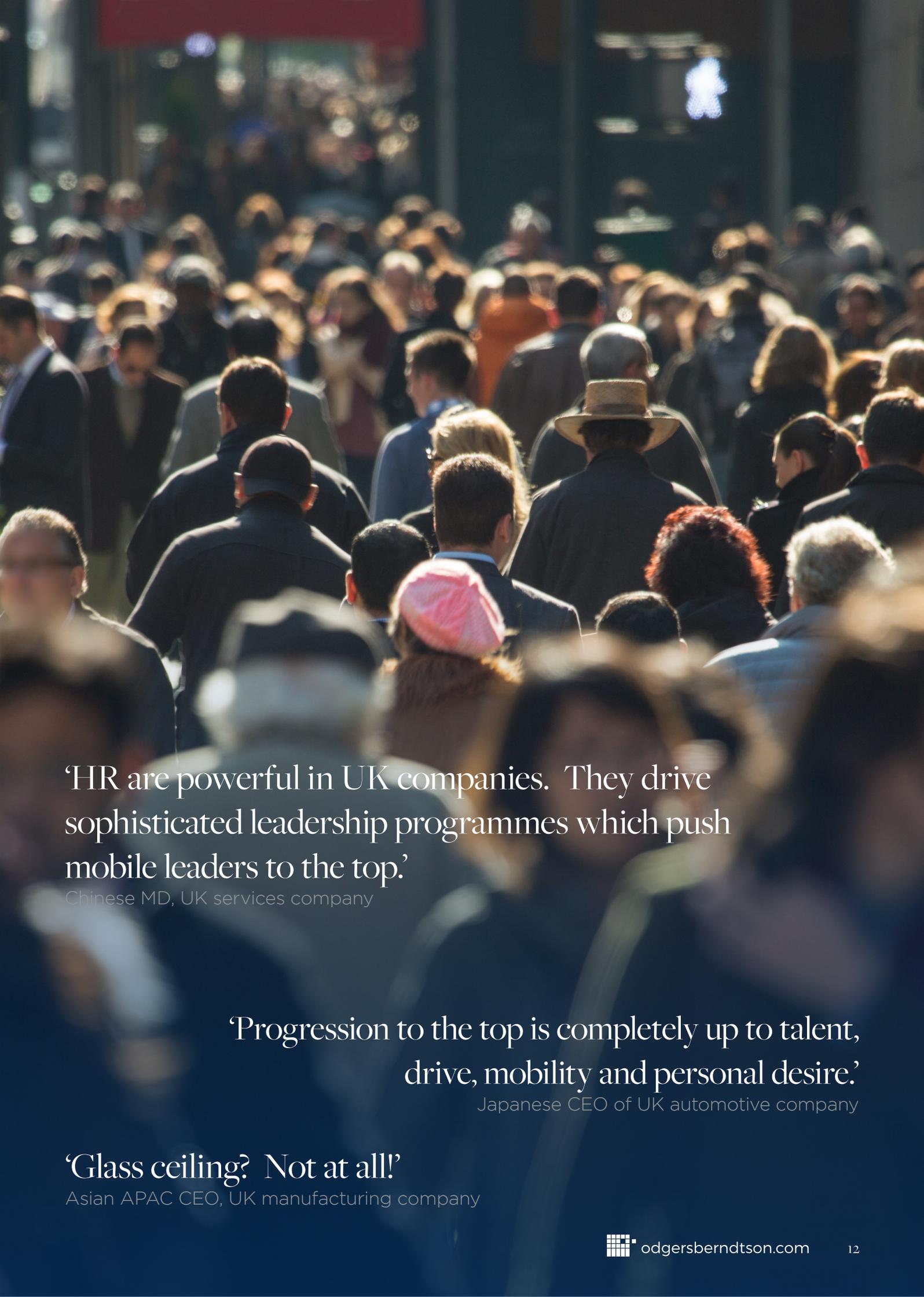
In a separate Odgers Berndtson survey of US companies we found that, when companies generated over 20% of their global revenues from Asia Pacific, they had regional representation on the board. Companies below this revenue tipping point were less likely to have APAC Board members.

HOPE AND DISTRUST

The poor representation of local leaders in Western multinationals is a reflection of some distrust, not often acknowledged, that exists between many Western companies and APAC markets. Companies usually do not recognise their own ‘deep culture’ – those subtle attitudes and assumptions that either draw a local in or make it harder to feel at home. Only the local will recognise it.

The problem is not intentional; most companies are actively seeking to promote local leadership, but stress that candidates must have experience and leadership stature. The reality is that APAC is not a mature market and finding people who both understand a business and have the leadership potential is not easy.

Change is happening. However, candidate mobility is key, which is why we are now seeing highly mobile Indians rising to the top of UK companies.



‘HR are powerful in UK companies. They drive sophisticated leadership programmes which push mobile leaders to the top.’

Chinese MD, UK services company

‘Progression to the top is completely up to talent, drive, mobility and personal desire.’

Japanese CEO of UK automotive company

‘Glass ceiling? Not at all!’

Asian APAC CEO, UK manufacturing company

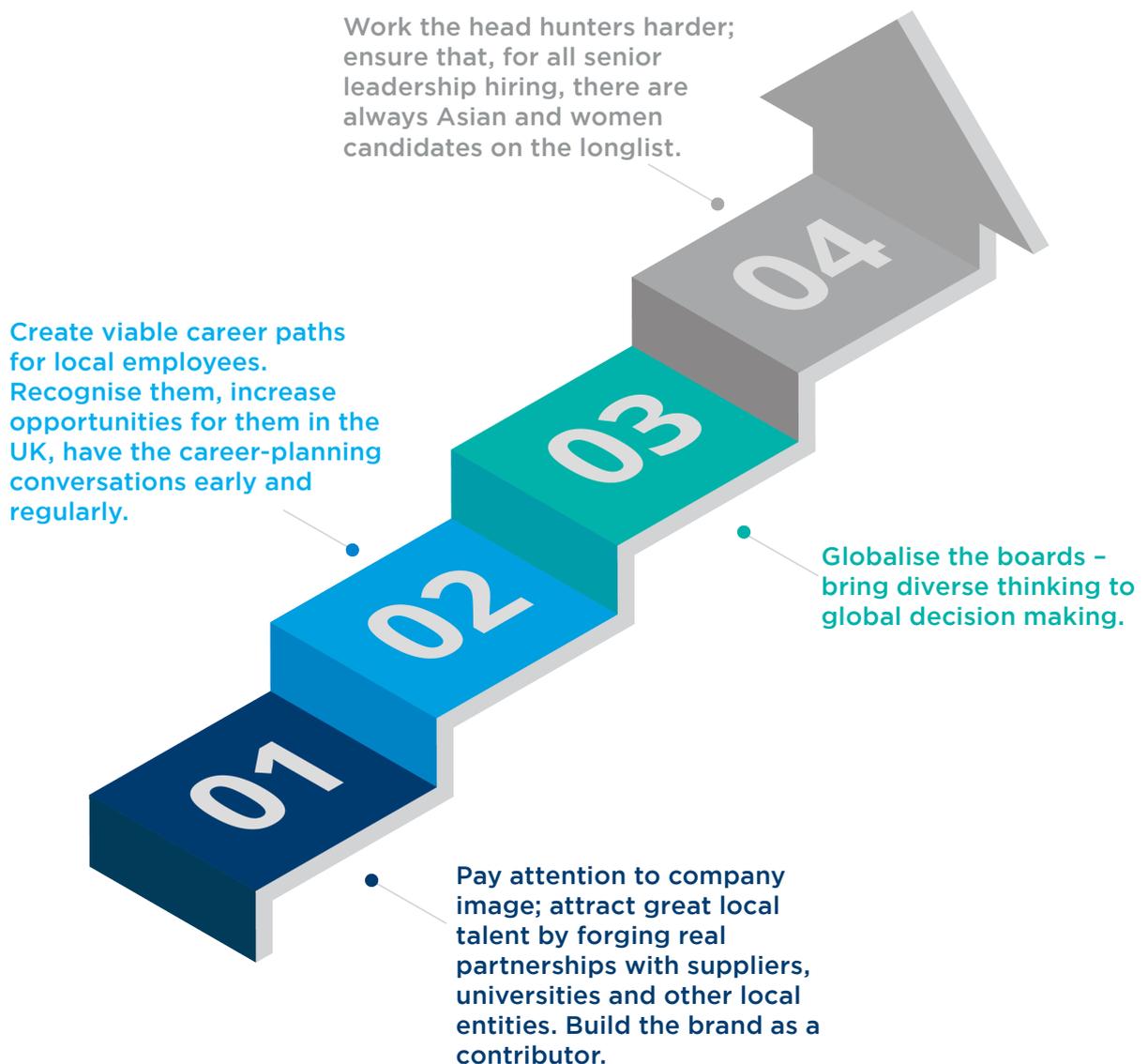
Conclusion: Strengthen, transform and diversify

UK industrial companies in APAC have an enviable employer brand; their advanced technology, values-based culture and focus on people make them an attractive employer.

However, Asia is complex and hiring challenges remain. There is consensus among company heads that localisation of leaders will increase performance, yet they struggle to get it right.

Companies are challenged to look at their own role in the hiring disconnect so often felt; to examine the part played by company culture, and to value more diverse thinking on leadership teams and boards.

To retain the advantage that the British brand still holds, UK companies need to reboot their appeal as employers through **four key areas**:





ABOUT THE AUTHOR

Based in Singapore, Alasdair Spink is a Partner and Head of the Industrial Practice in APAC.

With over 20 years of experience in executive search, Alasdair leads on regional level searches and ensures that the APAC Industrial Practice incorporates local knowledge and networks with global “reach” and a single standard of service and process.

Alasdair joined Odgers Berndtson in 2005 in the London office. In 2010 he relocated to Dubai to lead the Middle East business, covering the GCC region, before moving to Delhi in 2011 to lead the India business. Alasdair’s search career began in 1997 with another leading search firm where he gained experience in the UK, Netherlands and Germany.

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