

INDUSTRIAL INSIGHTS

ASIA PACIFIC

Transportation & Logistics

Supply Chain

HEIDRICK & STRUGGLES

INTRODUCTORY MESSAGE

//
*The setting
for a new
world order
is in place.*
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Asia's growing economic might exerts significant influence, not just on global trade and industry, but also on political and security concerns, macroeconomic policies and pacts, financial systems and even climate change. Asia's capital markets will rise up to challenge traditional ones; socio-economic shifts will bring about new classes of consumers and the region will be a magnet for trade flows from all directions.

The shift in political and economic power to Asia is inevitable - unemployment rates in major Asian cities hover around 2 to 5 percent, while many G7 countries are still grappling with rates as high as 9.6 percent. Together, the G7 nations accounted for 72% of global GDP in 2000. This is projected to fall to 53% in 2011.

Great richness and contrasts abound in the Asia Pacific region. Religious beliefs are rooted in Buddhism, Confucianism, Hinduism, Islam, Jainism, Sikhism and Taoism, which in turn, influence personal values and beliefs. Across the region, there are open economies and repressive regimes, huge gender and income inequalities, extremes in literacy rates – and these are just a few examples.

The truth is, no head of Asia Pacific truly 'gets' the entire region. There isn't a single person who will be capable of understanding all the nuances, cultural differences and belief systems of its four billion people.

But as business leaders, we must do our best to grasp the region's political, economical and socioeconomic dynamics, because of its growing importance to our organizations and jobs. The stakes are high and will certainly challenge our adaptability.

In this compendium of thought leadership pieces, we seek to share our collective insights into the region that have come from advising the senior executives who live and breathe these changes on a daily basis. From an overview of the changing talent landscape for manufacturers to the art of communicating so as to drive high performance across multicultural teams, it has been developed with the challenges and priorities of business leaders such as you in mind.

I wish you pleasant reading.



Torbjorn Karlsson
*Managing Partner, Industrial Practice –
Asia Pacific*

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GROWTH THROUGH LEADERSHIP, DIFFERENTIATION THROUGH PEOPLE



32.9%

Widely reported growth figure for the manufacturing output in Singapore during the first quarter of 2010, compared to the previous year

“32.9 percent.” That’s the widely reported growth figure for the manufacturing output in Singapore during the first quarter of 2010, compared to the previous year.

Granted that the growth could have been the result of machinery merely waking up from a lull during the global financial crisis, but there is no disputing the fact that Asia’s manufacturing centers are red hot. Industrial production in China and India, for example, grew by 10 to 20 percent during the same quarter.

Over the last three years, while the rest of the world was reeling from the global financial crisis, Asian manufacturers have emerged relatively unscathed. Not only that, they have witnessed an influx of global functional and sub-regional leadership positions for say, China, India and South East Asia, reflecting the desire of global industrial giants to get closer to high-growth markets. Setting up more regional centres also provides more opportunities for home-grown Asian leadership talent to develop.

Yet even as Asia-based manufacturers have been able to replicate, or even leapfrog Western production technologies in the last five to ten years, one has to ask, “Have leadership structures managed to make the same leaps?”

Three Heidrick & Struggles Asia Pacific Managing Partners, who have collectively garnered over 70 years of experience within the industrial sector, share their insights. All three; Torbjorn Karlsson, who heads the regional Industrial Practice, Casey Kelly, who heads the regional Supply Chain and Transportation & Logistics practices, and Gareth McIlroy, who leads the Asia Pacific Leadership Consulting Practice, have in total, lived in seven different cities across the region.

OUT WITH OPEX, IN WITH OPDEX

Karlsson: Leadership structures are definitely lagging behind, in spite of the Asian manufacturing miracle. Its been an unavoidable byproduct of extraordinary growth and change. New opportunities may arise overnight but leadership talent simply doesn’t.

Asia may comprise 30 percent of international revenues now, but it will account for 50 to 60 percent of global order books tomorrow.

Today, the biggest and newest factories are found in Asia and the concept of operational excellence in many places is passé.

It is simply a hygiene factor these days. The key to success in Asia today is operational dexterity. The market forces here change all the time - and they change rapidly. One must be able to constantly shift and adjust.

HARDLY PAUSING FOR BREATH

Karlsson: Plus, manufacturers are now exporting more and more to a highly complex mix of Asian markets - much more complex than the European Union altogether. Take China for example. From its tier one to tier three cities, you will find at least three to four different economies. India is another example. With its richness in culture and diversity, you could need over 20 product models or service offerings just to satisfy local market demands. Many companies in the region are struggling just to keep up with their growing footprints and market complexities.

Businesses in Asia used to solve problems by relying on cheap labor. This won’t work in the long run. Wages in China will go up by 20 to 30 percent in the next three years – what then?

As Asia matures, companies will look less to the West for leadership structures and start building their own. You already see it happening in the technology sectors in China and India, where we are seeing a greater mix of business models, blending Asian traditional hierarchical structures, employee ownership and entrepreneurship to match high growth rates and large employee bases.

Kelly: That’s right. As markets and products grow in sophistication and diversity, Asian-based manufacturers will need to bring in innovative practices, start building up their own brands and differentiate by providing better services. That is the only way to grow into 12 different markets without 12 times the number of people. All these require ‘softer skills.’

EMBODIED IN HUMAN, NOT JUST MECHANICAL BODIES

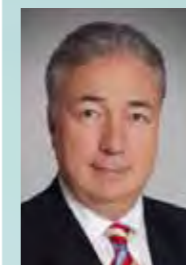
Kelly: As services grow increasingly important, there will need to be a shift from focusing on the next player in the value chain to focusing on the next customer account.

Running parallel to this is the need to lift the quality of sales & marketing and customer service, as Asia continues to mature. You can’t give service staff scripts like you would technical engineers production manuals; you have to train each person to become a problem solver.

That will be a key competency in adapting and thriving in uncertainty. In the midst of all of this, Asia is facing the classic manufacturing leadership catch-22. People working within the industrial space have an inbuilt tendency to be technical champions more than people champions. Building a service mindset will take a shift in paradigm; from focusing on human and not mechanical bodies. This is critical for Asian manufacturers as they expand their global footprints.



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MY UNCLE KNOWS THE PERSON IN CHARGE

Kelly: We also see traditional family businesses here facing other challenges. Many management teams here have either been together for decades or rely on powerful family clans and connections. Senior executives elect board members from their personal networks, rather than being elected by the board.

The future will be less about leveraging local relationships and more about operating within communities of new global stakeholders. The Dubai Ports World incident is a case in point.

SIDE EFFECTS OF GROWTH STEROIDS

McIlroy: The irony about unabated business growth is that it can often be the biggest obstacle to world class leadership planning. Businesses either recognize the need to proactively develop their leadership bench but just can’t do so fast enough, or they are so focused on their current opportunities that they fall behind in confronting the issue of a thinning pipeline of leadership, until it is too late.

Globally, we have witnessed how some manufacturers and logistics companies have become so efficient in tinkering with their specifications and costs, that they were blindsided in building the teams that would help them capture new customer segments effectively. Hopefully, Asian companies will not make the same mistake. What’s more, it is not uncommon for companies to think they know what they want in their leaders, based on what they see in the rear view mirror. This is a precarious approach in industries that face increasing complexity and change, as Karlsson and Kelly pointed out.

SYMPTOMS OF TIME DEFICIENCY

McIlroy: People need to spend more time on people in general. Research has shown that boards around the world spend about two hours a year on average on succession planning! And don’t get me wrong; it’s not always about recruitment - but about doing something new with people; empowering teams or coaching them to become more effective communicators for example.

Leadership development requires time. The demands that come with high growth mean that Asian companies must deliberately make time to “come up for air”, to plan how they will move from a day-to-day execution mode to a more proactive focus on human capital development. We are very confident that the tremendous Asian drive and ingenuity, which has served its manufacturing sector so well, is certain to be replicated in how the region will leapfrog the West in terms of leadership innovation and development.

This is the other Asia Pacific miracle in the making – the rise of world-beating Asian manufacturing talent who are able to lead across complex and unexplored international terrain.

A SURVEY OF ASIA'S MANUFACTURING LANDSCAPE

Heidrick & Struggles recently conducted a survey amongst some of the most respected industry heads in the region to obtain a bird's eye view of Asia's Manufacturing landscape. From leaders of Asian conglomerates to global manufacturing and logistics giants, senior executives say that Asia is 'the place to be in right now' and that its manufacturing capabilities are certainly no longer just about being 'low cost'... and this is just one of the many findings from the survey.

For a sophisticated metropolis that prides itself as "Asia's world city" and that boasts the seventh largest stock exchange globally, you can still see pork carcasses delivered in open trucks in Hong Kong, and some of its poor living in wired cage-beds. This is just one example of many dichotomies that can be found in Asia.

The region is seeped in diversity and bubbling with change; it's simply impossible to plug Asian markets into any single classification, no matter how hard one may try. Here, you can find the richest and the poorest persons on earth; the most makeshift of open-air medical clinics and some of the top hospitals in the world; the most rudimentary of cottage industries and the most advanced of industrial equipment.

It is hardly surprising that views on Asia's manufacturing prowess also differ widely. Have Asian factories reached world-class operating standards? Do safety, labor and hygiene standards still leave much to be desired? Are Asian plants leading the charge on sustainability and environmental protection? Are they capable of being the worst environmental polluters? The response to all these questions is yes - it all depends on where you look for the answer.

Not only that, Asia has become a stomping ground for shrewd global executives who know that working and living in this fast-paced melting pot of cultures and business environments adds jet fuel to their personal development and career ambitions.

John Paterson, global president at Rolls-Royce Marine who is now based in Singapore, has this to say, "The world tends to brand Asia as Asia, but the region is simply too diverse and comprises too many different elements. It's more like a complex Rubik Cube. In addition to that, this part of the world is changing so quickly. One sees Asia very differently, and only gets to appreciate all its

opportunities and subtle nuances, when sitting in Asia. Organizations operating out of traditional markets find themselves hard pressed to keep up with the pace here. If your key markets are growing at 10 percent and your organization is not keeping up with that growth, you are effectively moving backwards."

With the greater focus on Asia and manufacturing complexity, supply chain management as well as transport and logistics organizations will have to gear up to meet the demands that will come along with all the changes in their customer base that are spelt out here.

GROWING DOWNSTREAM IN ASIA

In swarming to Asia in search of organic growth or new markets, many manufacturers have had to re-engineer their global business focus and worldviews - with China taking more and more of a "Middle Kingdom" focus.

From investing in production facilities solely from an engineering or low cost perspective just five to ten years ago, companies are now shifting to a combination of cost-effective, high-value sourcing, research and development, design, planning, marketing and production across Asia, with a view of shortening their route to growing markets and raw materials. Some of the newest manufacturing best practices are even being developed out of Asia. Take for example the Japanese Kaisen or 5-S approaches or Foxconn's high-tech production townships.

While the quality of thinking and processes continues to develop and production results in some countries still a bit patchy, everyone we spoke with agreed that you can find some of the best manufacturing talent in Asia.

Kevin Thieneman, president of Caterpillar Asia, a leading manufacturer of construction

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and mining equipment, diesel and natural gas engines and industrial gas turbines, told us that the most successful Caterpillar plants are found in Asia. Based in Singapore, Thieneman said that Asian teams from China, South Korea, India or Thailand, have naturally gravitated towards the “Cat production system” and are highly engaged in achieving the group’s goals.

“There is a potential for people to jealously guard their territories, but what I have found is that everyone in our factories is focused on the same goal. They are in constant communication with one other and help each other identify and solve problems. The results can be very powerful. The next leg up on our performance will be to leverage that culture across our global footprint. I’d like to see a day when our quality manager in India talks to his counterpart in Illinois before he finishes his day, to inform him of something new that worked well at his plant that day, and vice versa. It will rapidly accelerate the pace of improvement. And at the pace of change these days, that could drive tremendous competitive advantage,” said Thieneman.

GROWING INNOVATION AND SERVICES

As Asian wallets continue to grow, manufacturers are finding themselves having to become more

innovative and service oriented in order to capture their share of the consumer’s Japanese paper money holder, Chinese brocade purse or India leather pouch. Even within the business-to-business sector, manufacturers are providing financial solutions for infrastructure builders or painting systems guidebooks to renovation contractors.

The executives we spoke with said that all in all, there has been an increasing appetite for services and enhancements to the product experience. Trade channels are also becoming more demanding.

More and more, people are expecting a knowledge base that goes beyond the item that rolls off the factory floor.

Mr. Colin Nelson, senior vice president Supply Chain for Africa, Asia, Europe, and the Middle East at Unilever told us, “Consumer experiences have been broadened beyond just the product. They want access to recipes, lists of ingredients and suggestions from top chefs. They expect online interactions with the company. In a more B2B environment, I see suppliers coming up with broader representation within their portfolios. In the past, manufacturers would reproduce the

designs their customers gave them. Today, many are playing a broader role in the R&D of their customers’ products. Or take logistics services providers for example. Many have expanded beyond merely operating a warehouse to offering to help you design your entire network, rather than just providing the nodes. What this all mean to leaders is that they need to understand their markets and proactively bring solutions to customers rather than just responding to requests.”

GROWING “ASIA FOR ASIA” PRODUCTS

Similar to GlaxoSmithKline’s “China for China” production philosophy, many products manufactured in Asia for global companies today are now being shipped to neighboring Asian countries, rather than back to markets in the West.

Brand owners will find themselves fencing with strong Asian market contenders.

JG Summit Holdings, one of the largest conglomerates from the Philippines is one example. It has a long history of interests across South East Asian markets and operates air transportation, banking, food manufacturing, hotels, petrochemicals, power generation, publishing, real estate and telecommunications businesses in the region. Its many subsidiaries and joint ventures have been at the forefront of business development in several emerging markets in Asia for years. In Vietnam for instance, the company introduced local consumers to biscuits packaged in smaller sachets, a key innovation for that market, and set up innovative programs to build modern distribution systems from scratch.

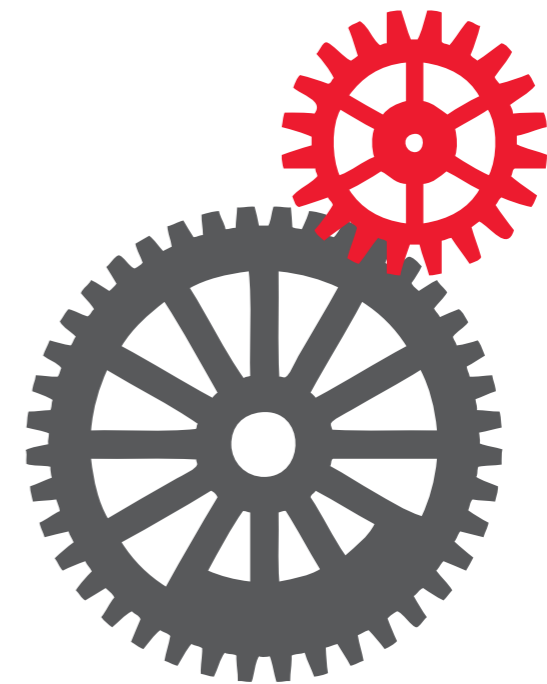
ASIA AS A TRAINING GROUND

With all these market changes have come a constant stream of global leadership re-positioning within the Asia Pacific. At GlaxoSmithKline, a number of the healthcare company’s senior executives are now based in Asia, including the head of emerging markets who is based in Singapore.

Joseph Meier, senior vice president, Global Procurement, told us from his office in Philadelphia, “There is a lot of buzz and potential for growth in emerging markets. It’s a wonderful place to develop managerial talent. Our executives get to learn about different cultures, how to harness differences and how to drive business growth. They also get to be inoculated with the entrepreneurial spirit that you only find in Asia. The richness of the experience is very valuable. Certain things can be learnt and taken globally. It’s one way of ensuring we make the best use of all the talent we have around the world.”

Meier also shares the view that the speed of decision-making in many large companies can be slow. The entrepreneurial drive in Asia means

We need to find the best talent from a global pool.

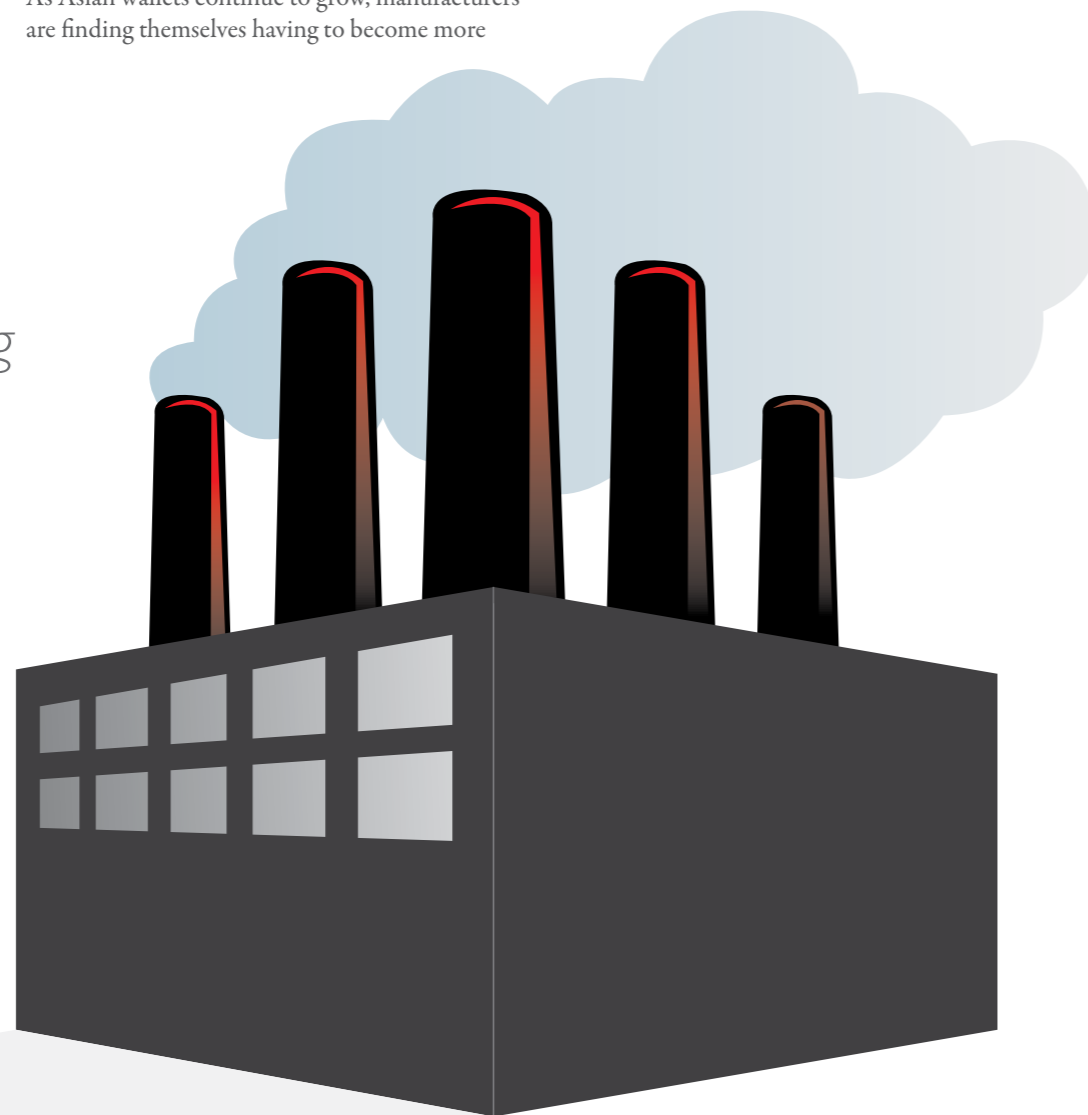


that global managers can learn to respond to market changes more quickly while operating within the corporate framework. This thinking is gaining ground in many global companies, so much so that they are even sending junior management trainees into emerging markets on short-term rotational assignments.

Nelson from Unilever believes in giving up-and-coming talent exposure while they deliver on the job. He says that 60 percent of what one learns is through doing one’s job, 30 percent is through learning from others and 10 percent is through formal learning.

Similarly, Lance Y. Gokongwei, president and chief operating officer of JG Summit Holdings, says it is important for senior executives to have a variety of experiences, both at home and abroad. “Initially before we send our high potentials out to other countries, we first give them broad exposure in their home country. For instance, we may have

There is a lot of buzz and potential for growth in emerging markets. It’s a wonderful place to develop managerial talent.





someone work in business planning or supply chain management before moving him or her into a CFO role at a subsidiary abroad.”

ASIA AS A ‘SI-FU’ MASTER

Don’t be mistaken that Asia only holds important lessons for junior to middle management employees.

Klaus Nyborg, chief executive officer at Pacific Basin Shipping, a marine transportation company in Hong Kong with employees from 12 different nationalities in their highly cosmopolitan headquarters, will tell you that one of the prerequisites for success in management is an acceptance that one will have limited insight into different cultures and nationalities.

He said that, “Culture works on many levels. You have to be humble and accept that you don’t have the definite view of what it means to be Chinese, Indian, Pakistani or Indonesian. What looks like power here is very different from what one is used to in the West. Business in China is more about people; in the West, it is more about structures and frameworks. One has to be subtler in terms of how you define your goals. For example, the concept of “guanxi” in China is like the London Tube. The best route is not always the direct one. At some point, you need to go through a different location or individual to achieve your objectives. That requires much more patience than what Westerners may be used to. Building business models here requires you to take on a long-term view, like the Chinese themselves but at the same time being able to adapt quickly to change. One has to learn to adjust one’s leadership style and practice patience and perseverance.”

ASIA AS A CULTURAL MELTING VAT

Indeed, a cultural melting pot is hardly sufficient to describe what you see in Asia today. The pot has grown into a vast vat. Visit the office corridors of Shanghai and you will not only hear Chinese being spoken but maybe also Swedish, French, Bahasa Malay, Tamil or Japanese. The same can be said of most Asian cities.

Kenji Yasuno, general manager of Mitsubishi Corporation in Singapore, oversees an organization that supports the group’s array of businesses in Asia, from natural resources, heavy machinery product, chemical product to food products and other living essential products such as paper, tiers, and textiles etc. He expects international companies to continue to relocate entire functions, such as marketing, treasury, logistics and procurement, directly into Asian markets and to bring their distinctiveness with them for a rich blend of cultures.

“Mitsubishi Corporation has been operating in global markets for a long time and we have had an extensive leadership-training program for about

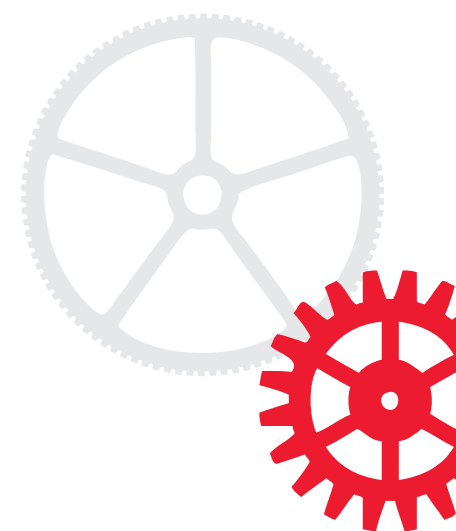
What this all mean to leaders is that they need to understand their markets and proactively bring solutions to customers rather than just responding to requests.

20 years. Today, around 20 percent of the 6,200 people in our Mitsubishi Corporation organization are seconded overseas. To prepare them, we first provide training programs concentrating on increasing various competencies, such as mindset reform, values sharing, business and organizational management, before any overseas assignment. Even with those training programs, it still remains the best method to have employees physically expatriated for a certain number of years to be exposed to the business and culture in the region. We find our people learn to manage diversity and adopt a more global way of thinking after their overseas assignments. Relatively speaking, it seems to me that the mix of talent and people at a joint venture type of operation, which involves partners of different countries and management styles, provides an interesting challenge and good opportunities to people assigned there. The JVs breed cross-cultural understanding and produce a well-balanced management system for our people and culture. Our people learn to be less biased by the Japanese way of thinking and the management style of the mother country, even if they struggle to manage the differences between their own views about business locally and the ones of the mother country.”

Unilever is another international giant that has been in Asia for a long while; its businesses in developing and emerging Asian markets are now about the same size as those found in traditional markets. The Unilever headquarters in Singapore houses global, regional and local teams made up of many different nationalities. Nelson believes the mixing of cultures in the region is not just a “West to East” phenomena but also a pan-Asian blend. “You will see companies from Korea, Japan or China developing corporate cultures that are a blend of Asian as well as international cultures, so as to make local sourcing really work.”

ASIA AS A GLOBAL RECRUITER

Globalization has certainly left its mark on manufacturing talent in the region. Not only is there an importing of international influences but



of international candidates as well. Nyborg from Pacific Basin Shipping says that his company has naturally attracted global talent because of its organic growth into exciting high-growth markets.

As the world becomes flatter, the disparities between leadership principles across different markets have almost disappeared. The contents of graduate, post-graduate and on-the-job education and training programs are becoming more international. Executives collaborate across international teams and fly across the world to complete their executive MBA courses.

The term “expatriate” is also becoming outmoded. Today, it’s simply the best man or woman for the job based on international, not just Asian, benchmarks. It’s less determined by Western views of what an expatriate package or lifestyle should look like and more by the needs of the market or business. Paterson from Rolls-Royce Marine stressed that the ideal approach is not to merely relocate talent from country to country but to re-balance talent on a global basis using a truly multinational perspective. “We need to find the best talent from a global pool, not just in any particular geography. Having said that, it is clear

that given the growth rates and opportunities in Asia, we are seeing a significant strengthening of talent available in Asia, either locally or those who decide to become Asian based after their initial assignment.”

Wee Siew Kim, Group CEO of the NIP SEA group of Nippon paint manufacturers says that Asian companies like his have been bringing in talent that have been exposed to non-Asian environments, particularly for their technical expertise in the area of chemistry or research. An American executive now heads up NIP SEA’s research and development facility in Thailand for instance. “Efforts must be made at the initial recruitment phases in ensuring that the final candidate fits into an organization. So far, all our experiences with international talent have been good,” said Wee.

Indeed, with the need to stay close to their customers, global manufacturers are expected to move more and more of their corporate functions to Asia, and together with that, executives from more mature markets who work as part of internationally competitive terms in Asia.



Today, it’s simply the best man or woman for the job based on international, not just Asian, benchmarks.

KEY SURVEY OBSERVATIONS

- ➔ **ABILITY TO CROSS CULTURES A KEY LEADERSHIP REQUISITE** All in all, the findings from our discussions with industry heads in Asia show that manufacturers need to identify and develop leaders in Asia who are capable of working in communities defined not by their location or nationalities, but by common interests. They will need to seek out executive talent for Asia with the communications skills and mindset to be able to work across multiple cultures, and who embrace the “softer” aspects of services marketing while demonstrating the shop floor skills needed for running the latest multi-million dollar manufacturing facilities.
- ➔ **ASIA WILL CHANGE THE WORLD** Our research has also led us to believe that Asia will become a catalyst for change in many global organizations, as executives from mature markets bring back what they have picked up during their time in vibrant Asian locations and cross pollinate other offices.
- ➔ **POWER SHIFTS TO ASIA** It will also drive change in terms of the balance of control and autonomy for global headquarters based in the West and their faster-moving counterparts in the East. Asian headquarters and subsidiaries will need to be given more autonomy in order to stay competitive amidst the unrelenting pace of change, a challenge that few executives in the West can truly identify with, unless they have lived and worked in Asia. Global assignments in Asia will help.
- ➔ **FINDING THE BEST WAY TO SEND PEOPLE OFF** A common opinion regarding global assignments was that some Asian communities, such as those from India or the Philippines, are more open to expatriation than others. Companies face resistance from Asian executives to global assignments for different reasons. High potentials from China may prefer to work in their home country simply because they believe the market offers them the best breath of experience and opportunities to enrich themselves. Family and community ties tend to be valued much more highly in certain parts of Asia, so executives in countries like Thailand and Indonesia for example, may find it hard to see the value of global assignments within the totality of their lives. There is no one uniform Asian response. The best approach to present such opportunities to Asian high potentials will vary from country to country. Companies need to set up more rigorous cultural induction programs to help executives ease into old roles in new countries. Thieneman from Caterpillar recounted awkward situations when Asian plant managers arrived in the US not knowing how to use electronic dishwashers or who were ill prepared for sub zero degree climates, while Paterson from Rolls-Royce Marine spoke of young families who struggle with cross-cultural transitions, particularly in the area of locating education systems for their children that would be on par with the systems back home to which they would eventually return. Such issues, while not entirely related to an executive’s job description, will have an intrinsic impact on his or her productivity and ability to fully deliver on the job.
- ➔ **GOT TO WORK HARD ON THOSE RETENTION FIGURES** There is also the issue of retention in high growth markets, where executives are constantly tempted to jump ship into faster-moving local competitors who offer greater upward mobility into top posts, not just on a country but on a global basis, as compared to multinationals who spend millions on training, development and retention programs.
- ➔ **ASIA WILL BE A SOURCE OF GLOBAL LEADERSHIP** Increasingly, recruitment will be about sourcing for the best global competencies. Asia’s industry leaders in the future will be the best in their class on global, not just on a local or industry, terms. “If you look at grooming talent, the process itself is very much like production. In Asia, that production line for talent, while still growing, is definitely intensifying in terms of competence and depth. If you refer to popular business periodicals from the last 10 to 20 years, you will find that most of the business success icons have been Western ones. With the growth of this region, you will see more and more global icons for success rising up from Asia,” concluded Wee from NIP SEA.

ACKNOWLEDGEMENTS

We would like to thank all the executives who graciously agreed and allocated time to participate in this survey.

List in alphabetical order:

Lance Y. Gokongwei,
President and Chief Operating Officer at JG Summit Holdings

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Senior Vice President, Global Procurement at GlaxoSmithKline

Colin Nelson,
Senior Vice President Supply Chain for Africa, Asia, Europe, and the Middle East at Unilever

Klaus Nyborg,
Chief Executive Officer at Pacific Basin Shipping

John Paterson,
Global President at Rolls-Royce Marine

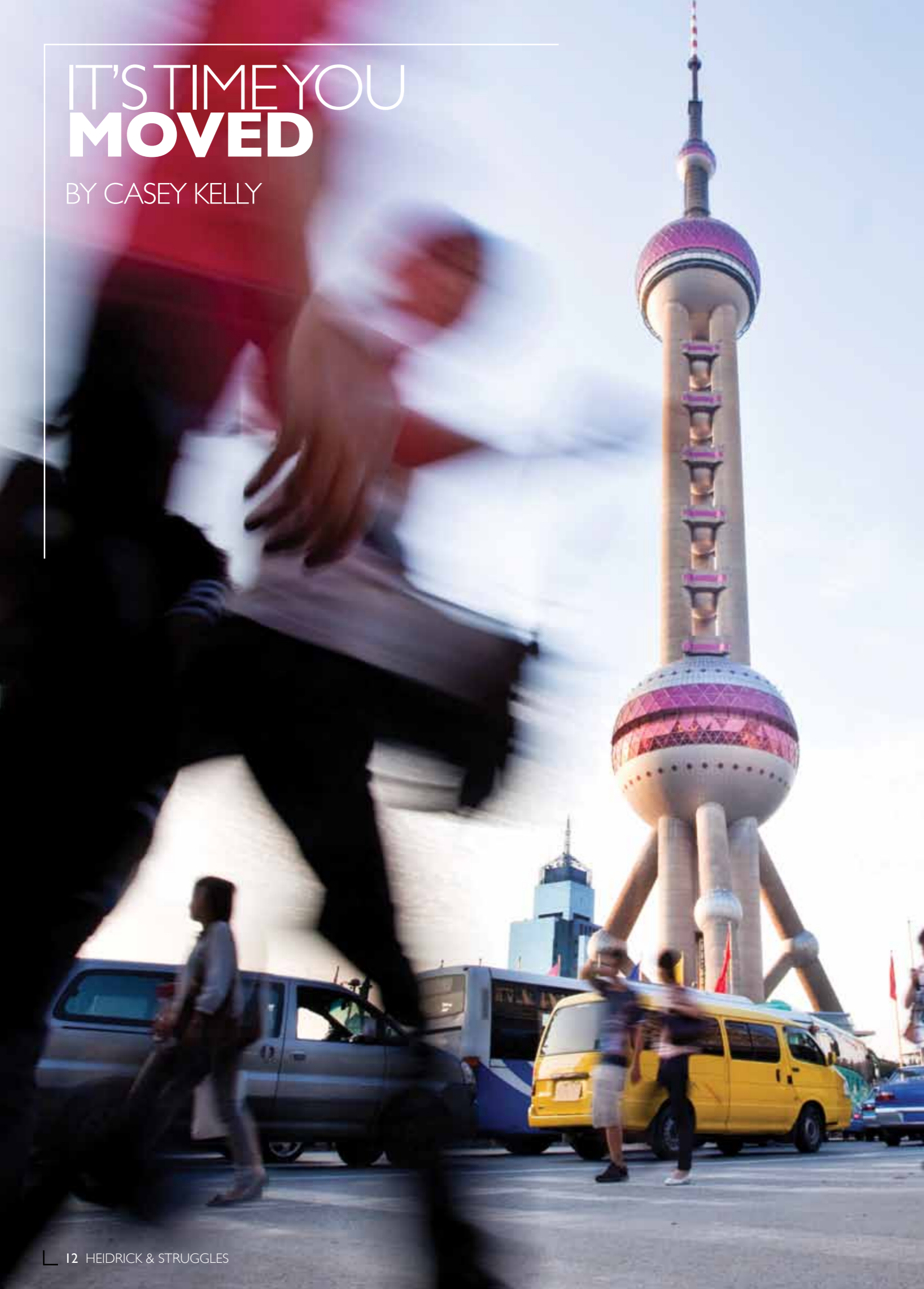
Kevin Thieneman,
President of Caterpillar Asia

Wee Siew Kim,
Group CEO at NIP SEA Group of Nippon paint manufacturers

Kenji Yasuno,
General Manager at Mitsubishi Corporation

IT'S TIME YOU MOVED

BY CASEY KELLY



In 2006, a technology giant set the global media abuzz with news that its global head of procurement was moving to China. Would this be the start of a mass migration of global supply chain management (SCM) functions, or even the entire global headquarters, into Asia?

The media was left disappointed and so were we. Perhaps, the further re-orientation of the world's economic order since the global financial crisis will finally help catapult more global business heads, and specifically SCM leaders, into Asia faster. In fact, it would be a strategic mistake for global business and SCM leadership talent not to work and live in the Asia Pacific region. Here are six reasons why...

1 YOU'VE GOT TO BE IN ON THE ACTION

The world as we know it has changed forever. Asia is now the centre of the universe. Track international traffic, cargo and money flows and they all seem to somehow point to or from Asia.

Asia's GDP growth has been galloping past mature economies for about three decades now but its contribution to a global recovery this time has outstripped that of other regions. Its recent performance has been boosted by resilient domestic demand, more than by exports. The signs of Asia's growing consumer class are everywhere. Sales of television sets, mobile phones, refrigerators and automobiles have surged in virtually every country. According to a 2010 study by the Asian Development Bank, developing Asia's middle class grew by more than three-fold from 565 million in 1990 to 1.9 billion in 2008 in absolute terms, while its aggregate annual expenditure increased more than four-fold to \$3.3 trillion. Moreover, net capital inflows to the region have swelled more rapidly than in past recoveries, reflecting the world's confidence in the economic frameworks found here.

2 LIVE AND BREATHE ITS DIVERSITY

There is little doubt that Asia is also a focal point for your company's investment strategy, but don't make the mistake of assuming that a generic business strategy can be applied across a region where some of the most diverse of economies operate.

Asia contains some of the world's most sophisticated mature markets and simultaneously, some of the most under-developed, emerging economies, each with varying degrees of openness, regulation, economic progress, corruption, talent and infrastructure development. Even amongst regional groups such as BIST-EC (Bangladesh, India, Sri Lanka and Thailand), ASEAN (Brunei Darussalam, Cambodia, Indonesia, Laos,

Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam), North Asia (Hong Kong, Taiwan, South Korea) or ANZ (Australia, New Zealand), vast differences abound.

Multiple strategies are needed for Asian markets, or even multiple strategies just for single markets. For example, in countries like Cambodia or the Philippines where access to water is not always guaranteed, shampoo is sold in single-use sachets, not bottles. In more developed markets like Hong Kong or Singapore, where families may share the same shampoo, jumbo size is preferred. In places like China or India, such dichotomy exists between sub regions. Then there is the issue of soft or hard water, environment awareness, emerging classes of consumers, and the list goes on.

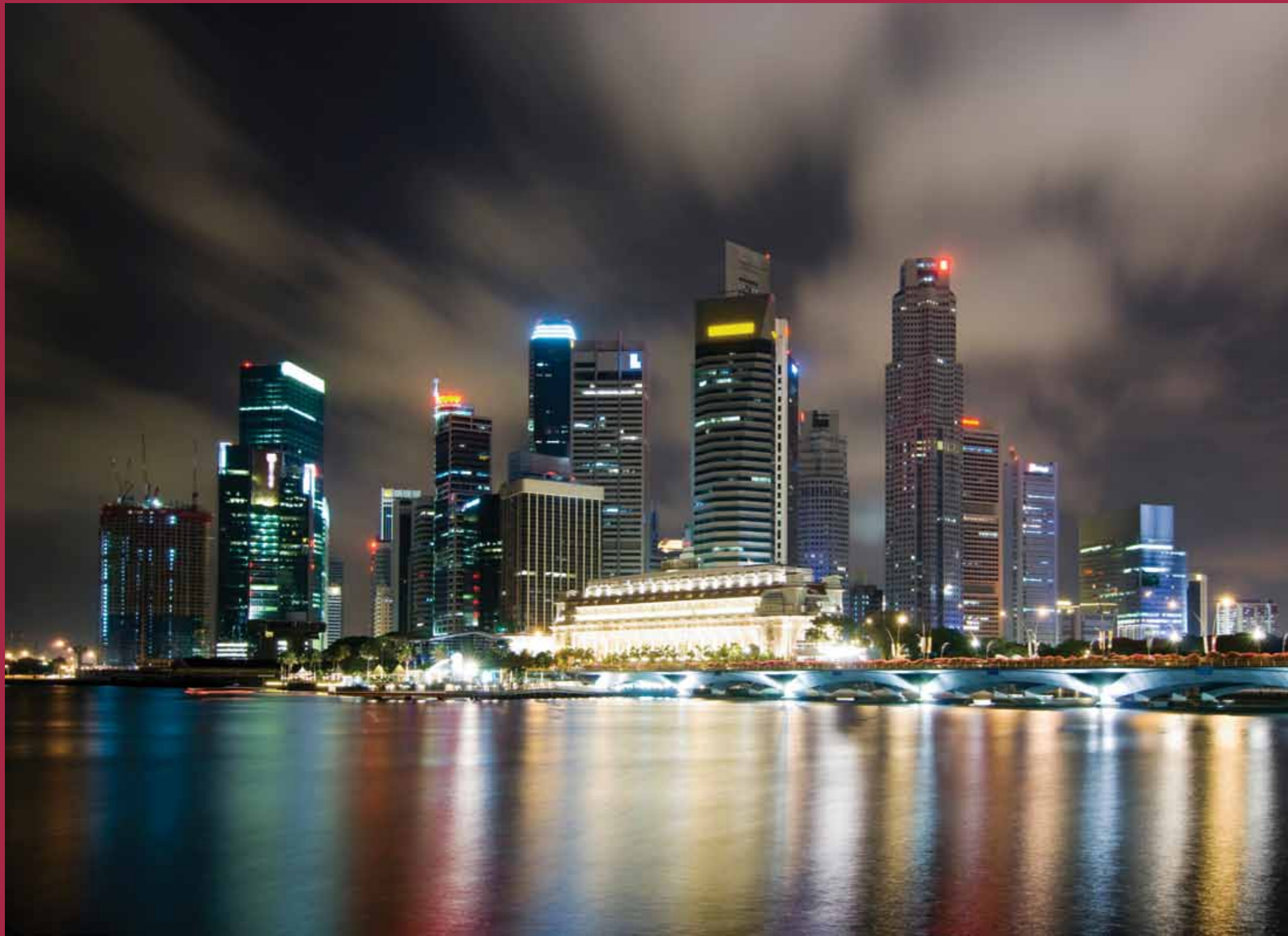
There is no better way to understand this complexity than by being right in the middle of it. Yet unfortunately, one would be hard pressed to name at least five chief procurement or chief supply chain officers from Fortune 500 global companies that are based in Asia.

3 DEVELOP YOURSELF AND YOUR PIPELINE

Global SCM leaders who live in Asia are also bound to spring up the learning curve simply by leading from a region where the supply base covers an entire gambit of developmental scales and geographical challenges. And if Asia is the economic center of the universe for the 21st century, there is the exciting prospect of being a pioneer in capturing this century's growth potential.

Many companies have not overlooked Asian talent development. High potentials in Asia who, having been exposed to more advanced tools, techniques and methodologies from mature markets, are most likely able to help achieve profit-generating productivity improvements for their employers. It won't be long before more of such Asian high potentials enter the pipeline for global leadership positions.

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Asia contains some of the world's most sophisticated mature markets.
///



4 DEVELOP A CRITICAL SUPPLIER BASE FOR COMPETITIVE ADVANTAGE

Many international industry players that have established strong systems in mature markets are still playing catch-up in this region with 60 percent of the world's population. Even as Asia is an economic miracle, it presents many commercial and operational challenges. If you sit in Europe or North America, it's impossible to gain a true appreciation of these challenges.

In sourcing for manufacturers in central China or Vietnam for instance, it is critical to not only know which supplier will produce to your standards, but who will also provide trustworthy

follow up service. Many suppliers in the region still neglect R&D and basic maintenance. At times, SCM managers may even find themselves educating their suppliers on basic sales service or business management techniques or learning how to communicate effectively when the understanding of English varies from one supplier to another.

Creating consistent quality for your company requires you to become more skilled at developing your supplier base than your competitors. This is quite different from supplier management and requires the attention of global operational heads that thoroughly understand the situation on-the ground because they see it with their own eyes.

5 BUILD CRITICAL RELATIONSHIPS

High-flying global executive are valued for their ability to develop webs of commercial relationships to create more value than they can on their own. Knowing the right people well can also at times, help to mitigate against unwelcome risks. Developing strong relationships with business partners and local government agencies in Asia however, require face-time, in order to build deep mutual respect and trust - two highly important ingredients to success here. The idea of 'phoning in' simply doesn't work.

6 STRENGTHEN THE ENTIRE ORGANIZATION

Global leaders can take their personal lessons from dynamic Asian markets to lead in pollinating innovative best practices across their entire organization. A recent McKinsey study of factories round the world shows that "the strength of a multinational manufacturing company lies precisely in its ability to exploit a network of knowledge to spread process innovations and best practices and, ultimately, to create innovative products and services... ultimately, senior managers at headquarters must orchestrate the coordinated evolution of the network's nodes and flows."

By sitting in Asia, you will also be better equipped to brief global boards on the markets that your directors and shareholders have their eyes on. Asia will be where new consumer classes as well as new products and services will germinate from, and it will be imperative for Asian based headquarters to create products and services for their own geographies or even raise capital in regional capital markets directly.

By sitting in Asia, you will also be better positioned to identify 'hot spots' early and pre-empt factors, such as increasing labor costs, change in local official sentiment or changing consumer demands. As John Paterson, global president at Rolls-Royce Marine who is now based in Singapore, told us, "One sees Asia very differently, and only gets to appreciate all its opportunities and subtle nuances, when sitting in Asia. Organizations operating out of traditional markets find themselves hard pressed to keep up with the pace here. If your key markets are growing at 10 percent and your organization is not keeping up with that growth, you are effectively moving backwards."

So far, we've listed six critical business reasons why more global business and SCM leaders should be based in Asia. The final and most important reason is that you owe it to yourself to develop your own career. High potentials in Asia who are riding steep learning curves in the 21st century's economic 'centre of the universe' are being groomed to lead global organizations one day. Don't be left behind.

ABOUT THE AUTHOR

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UNDERSTANDING YOUR **TEAM** IN ORDER TO DRIVE **RESULTS**

BY RICHARD MEIKLEJOHN



Motivating culturally diverse teams can be a huge challenge but by taking the time to understand and appreciate cultural differences, effective communicators can get great results.

Mastering the skills to lead and motivate diverse Asia Pacific teams towards common goals is not as straightforward as learning the ins and outs of CIM, JIT, TQC, TPM and Six Sigma. There is simply no one universal Asian set of values, belief system, way of thinking, business culture or communications style, and it is not uncommon to encounter teams where a lack of cross cultural understanding and cooperation has eroded productivity levels and the capability to meet business goals.

With many Asian countries leading the world in growth and influence, the ability to leverage the unique aspects in your management teams and leadership in this region is becoming more and more a competitive advantage. This is an ability that many CEOs however, are still learning to master. Across the world, many find it a constant challenge to build and sustain effective teams and ensure alignment, common purpose and direction, in order to implement what their organizations need to get done.

THE IMPACT OF COMMUNICATIONS ON THE BOTTOM LINE

At the core of being an effective team leader is being a great communicator.

“Communication is the real work of leadership,” says Harvard Business School (HBS) professor Nitin Nohria, who documented the importance of persuasion in his book *Beyond the Hype: Rediscovering the Essence of Management*. He believes that there are numerous ways for leaders to connect with their team members. “You can reach people through logic, by appealing to their sense of what is rational. You can appeal to their emotions, or you can make an argument based on their sense of values.”

“Great communicators have an appreciation for positioning,” states John Kotter, HBS professor emeritus. “They understand the people they’re trying to reach and what they can and can’t hear. They send their message in through an open door rather than trying to push it through a wall.”

Other research conducted in the workplace has also shown that poor communications between a manager and his team on the other hand, can lead to high attrition rates, low job satisfaction and morale, and poor performance on the job. A 2009/2010 study on Communication ROI goes so far as to say “companies that are highly effective

communicators had 47% higher total returns to shareholders over the last five years, compared with firms that are the least effective communicators.”





RE-LEARNING TO COMMUNICATE

Are you looking to improve your bottom line and returns to shareholders? Perhaps it would be helpful to first revitalize your thinking about team communications.

Everyone has his or her own personal communications style, be it as an analyzer, controller, supporter or promoter, for example.

Great communications have an appreciation for positioning



Communication Styles			
ANALYZER	CONTROLLER	PROMOTER	SUPPORTER
			
<p>STRENGTH</p> <ul style="list-style-type: none"> Thorough Reliable Good planner <p>WEAKNESS</p> <ul style="list-style-type: none"> Slow in responding Too much detail Afraid to challenge or take risks 	<p>STRENGTH</p> <ul style="list-style-type: none"> Action/result oriented Results focused <p>WEAKNESS</p> <ul style="list-style-type: none"> Forgets they are coaching a human being Forgets to acknowledge Starts to dominate 	<p>STRENGTH</p> <ul style="list-style-type: none"> Fun Big picture Creative <p>WEAKNESS</p> <ul style="list-style-type: none"> May lose focus or get bored Increases targets too quickly Tends to break commitment more quickly than other styles 	<p>STRENGTH</p> <ul style="list-style-type: none"> Loves the audience High acknowledgement Lacks urgency <p>WEAKNESS</p> <ul style="list-style-type: none"> Focused on feelings Loses focus on goal more quickly than other styles

///
Sometimes, it's not what you say that matters, but how you say it.
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As you move up the company ranks and as your network of direct reports and centre of influence widens across Asia as well as the rest of the world, it is natural to discover that more and more, your personal communications styles won't suit every person or culture.

Consider how your communications style and inherent perceived "weaknesses" impacts your team. Understanding both your own style is, as well as the individual you are speaking with, can help you deliver the coaching, mentorship, management and leadership needed for your team.

In general, people are a combination of the above, but when you add diverse cultures into the mix, understanding your audience becomes even more of a challenge.

For example, there are subtle distinctions to how relationships are built in Asia. In Thailand, you may find that first building a personal affinity with your business partner is paramount, but demonstrating that you can be a trusted collaborator closes the deal in China. You may need to read between the lines with Indian or

Japanese business partners who find it hard to say 'no', and you can afford to be more direct with Australian or Singaporean partners.

It is likely that you are already aware of such cultural intricacies firsthand, as companies adopt a 'China plus one' strategy with auxiliary plants in Vietnam, Malaysia, Thailand or India.

As your role and responsibilities expand or change, knowing how to tailor your personal style to suit your audiences or cultural circumstances, in order to drive the best out of your people, requires learning and re-learning.

As we have might all have heard before, "Sometimes, it's not what you say that matters, but how you say it."

To sustain high performance and growth, leaders in Asia must know and understand who they are and who their employees are. Communicating the right messages can go a long way in creating cohesive team environments, with the attitudes, values and mindsets that are fully geared up to implement the business strategies that will lead to success.

KEYS TO SUCCESSFUL LEADERSHIP AND COMMUNICATION

A leader's success begins with the development of self-awareness and knowing his or her audience. Without both, you are unable to lead others.

GAIN SELF-AWARENESS Knowing how to lead your team starts with knowing how to lead yourself. Benchmark yourself against people you respect. Find mentors and trusted advisors who can be honest and up-front with you about how you come across when you speak to others.

KNOW YOUR AUDIENCE Whether you are communicating with a partner, a supplier, an employee, or even your chairman or a board member, knowing your audience is paramount to making the art of communication work for a leader. The ability to communicate a common vision and purpose to your team is core to driving a performance-based culture. Only then can any leader create the results that shareholders expect and deserve.

STAY OPEN AND POSITIVE Be open-minded. Embrace a positive outlook on such challenges as being good for your personal development. Understand that when your team is successful, so are you.

UNDERSTAND THE IMPORTANCE OF TAKING RISKS While some Asian cultures are more risk averse than others, empowering and encouraging your team to break out of a hierarchical mode of thinking can help change the internal culture for the better. Encourage your team members to speak their mind and come forth with issues or suggestions.

SPEND TIME ON FIGURING OUT WHO'S WHO Who in your team is an analyzer, a controller, a promoter or a supporter? Tailor your style of communications so you can connect with and motivate them better. Encourage your people to work together as a team in spite of their different communications styles.

BUILD RELATIONSHIPS ONE-ON-ONE

Get to know your team members individually; what are their family backgrounds, what do they value, what are their passions etc. Relationships matter in general, and especially so in Asia. Pick up the phone and take time to talk to people.

UNDERSTAND THE CULTURAL NUANCES

Take the time to understand the nuances behind what is really being communicated behind the words said in each culture. "Yes" may not always mean your team member really supports an idea or decision.



About the Author

Richard Meiklejohn is a partner with the Leadership Consulting Practice, based in Hong Kong. He has over 20 years of professional and leadership experience in Asia Pacific's developed and emerging markets, and combines a unique blend of advisory, management, sales, and consulting experience with companies and clients throughout the globe. Richard can be reached at rmeiklejohn@heidrick.com or +852 2103 9300.

'OUTSIDERS' FLY INTO EASE AIRLINE TALENT SHORTAGE

BY GUY FARROW AND
TORBJORN KARLSSON

/// We believe
that the rate
of change in
the airline
industry will
continue to
increase.
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Rapid changes in the airline industry brought about by increasing deregulation, industry consolidation and the era of low-cost carriers have forced airlines to look beyond the industry for innovative executives able to lead the next stage of growth. The recent arrivals of new low-fare airlines by Thai Airways and Tiger Airways as well as Japan's All Nippon Airways only add to the intense search for such talent.

Aware of the critical importance of air transport to a country's economy, Asian government bodies have even stepped in to help their local aviation industry develop faster. India's Center for Asia Pacific Aviation offers short courses for executives on running airlines and airports to facilitate the import of fresh executive talent. China's Commercial Aircraft Corporation has tied up with Honeywell to open an academy with the aim to build Chinese talent.

Management needs to appreciate that today's aviation culture is changing and stretching, and then plan their recruiting strategies accordingly. Kazuhiko Toyama, a member of the JAL Reorganization Task Force and CEO of Industrial Growth Platform, Inc. told Voice, a Japanese magazine, in March 2010 that a new approach to recruitment was critical to lift Asia's second largest and ailing airline. He said that, "First, JAL must establish a new executive management team that consists of young and talented employees."

Reflecting this trend, some airlines, such as Virgin Blue and EasyJet, deliberately do not target executives with long-time airline experience, preferring instead to recruit from nimbler, more customer-focused companies such as L'Oreal, Nike, Procter & Gamble and Diageo.

In an interview for this article, former Air New Zealand chief executive officer Ralph Norris, now

CEO of the Commonwealth Bank in Sydney, said that the skills needed in airline leaders today are "an ability to think outside the square and challenge conventional wisdom and a strategic mindset."

During his turnaround of Air New Zealand, which started in 2002 and saw it restored to profitability within three years, Norris said he actively recruited executives from outside the industry to bring in fresh thinking and leadership. Previously, companies such as Air New Zealand were focused on flying aircraft rather than flying people.

According to Norris, "They weren't customer-focused."

"It seemed to me that many of the staff was attracted to aviation by the glamor of the industry, with many lacking a commercial edge. Nevertheless, there were also many who saw the need to change by augmenting themselves with management and leadership talent from outside the industry. We were able to differentiate ourselves with more innovative strategies by changing our executive recruiting approach."

Norris' comments reflect the "new view" of an industry that has much in common with the fast-moving consumer goods (FMCG) sector, which manages complex supply chains of goods that span the globe while maintaining zero inventories.

Given that airline seats are among the most perishable type of consumer goods, meaning that they cannot be sold after a 'due date' when an aircraft has taken off, an FMCG-style approach in the management of airlines can make a significant difference.

Norris, who was CEO of the Auckland Savings Bank before taking on the Air New Zealand

challenge, compares the airline business to the banking industry, which through technology and financial engineering is re-shaping its supply chain and serving huge customer bases through thousands of daily transactions.

"I was surprised how many similarities there are between banks and airlines," Ralph said, pointing to some common characteristics including:

- Large customer bases
- A focus on optimizing the supply chain in order to reduce costs
- A reliance on sophisticated, large-scale, interconnected global computer networks
- The management of the challenges of customer loyalty in an increasingly broker-intermediated world
- Access to services through call centres and the Internet
- The network nature of the businesses
- The use of a range of sophisticated financial derivatives for hedging pricing risk

He said another common feature of the two industries is that they risk becoming overly reliant on intermediaries, which can in turn lead to increasing dissipation of customer loyalty.

"At Air New Zealand, we began to rebuild loyalty through overhauling our frequent flyer program to reward genuine customer loyalty. The program was based on Air Dollars rather than points. We also allowed our members access to every flight every day to anywhere on the network without exception — no blackouts or restrictions on seat availability."

This change to the loyalty program is illustrative of the use of new thinking. Whereas in the past there was a tendency to think of the airline industry as unique, Ralph was one of a new breed of executives who quickly recognized that "fundamentally, airlines are just another business and they equally need executives who understand the numbers, who can lead, engage their people, solve problems and keep on challenging the status quo."

Another typical "outsider" is Rosalynn Tay, former chief commercial and marketing officer at Tiger Airways in Singapore. She came into aviation from the FMCG sector.

"If you look at the low-cost carrier business model, it's very much like a FMCG or retail," Tay says. "We're talking about fast turnaround. There's been a lot of differentiation but we're not selling a premium product — we're selling fast, efficient, reliable service and a consistent product."

She says that recruiting executives from within the airline industry would be getting "more of the same."

Tiger Airways encourages executives with diverse backgrounds, but also maintains a depth of aviation experience in the operational and technical divisions of the company.

"If you think about it, ultimately most of our business is transacted online, so we are really an online retail that so happens to be in the airline business. There is a need to introduce new elements into the sector so that there is fresh thinking."

Tay says Tiger's previous chief financial officer, Evelyn Tan, came from the electronics manufacturing industry and was part of the team which took the company to its initial public offering (IPO).

Qantas Frequent Flyer CEO, Simon Hickey, says "the old hats who know the airline industry backwards" are needed in any successful airline. "But there is such a massive degree of change going on in aviation, which is a very complicated business, so you also need people to challenge all the old paradigms basically in order to drive significant change."

For example, Hickey says that Alan Joyce, former CEO of Qantas Airways' low-cost subsidiary Jetstar and the current CEO of Qantas Airways, has a young team under him where he himself came from a strong aviation background.

"But a lot of his team have no aviation background whatsoever, so they bring a range of different thought processes. They're an aggressive team and they will push very, very hard on their own agenda, which is a good thing. They will also try anything and are very hungry to learn. They will look at other models and apply them in Australia from around the world."

Hickey himself came from outside the aviation industry, having held senior executive positions with Lend Lease in New York and Arthur Andersen in Australia and the United Kingdom before joining Qantas.

At Heidrick & Struggles, we believe that the rate of change in the airline industry will continue to increase, and with it the demand for innovative executives who are able to bring fresh thinking to help unlock the potential of the business.

Executives with the ability to leap across the boundaries traditionally separating the aviation industry and other industries will be able to create new niches and business models.

ABOUT THE AUTHORS

Guy Farrow and Torbjorn Karlsson cover the aviation market across Asia, Australia, New Zealand and the Pacific. They have conducted numerous executive searches on behalf of aviation clients in the region. Both had extensive aviation experience before joining Heidrick & Struggles with recognized global leaders including Qantas, Jetstar, American Airlines, Cathay Pacific, SAAB, Rockwell Collins and Honeywell Aerospace. Torbjorn is based in Singapore and can be reached at tkarlsson@heidrick.com or +65 6332 5001, while Guy is based in Sydney and can be reached at gfarrow@heidrick.com or +61 (2) 8205 2000.

WANTED: ASIA PACIFIC OPDEX LEADERS

BY TORBJORN KARLSSON



You're not looking at a typographical error:

Let's face it; being able to achieve operational excellence (opex) is a critical skill for supply chain leaders but the real game changer in Asia today is having the ability to achieve operational dexterity (opdex) for an organization.

Here's why...

COMPLEX MARKETS

Asia boasts robust and growing consumer markets. Three out of the top four global economies are found here, and they also happen to be the largest consumers of gold, oil, steel and luxury goods.

Since the global financial crisis, managing a supply chain in this diverse region is no longer about purchasing raw materials locally and shipping to markets overseas, but about supplying Asia's diverse segmented domestic markets. An Accenture report summarizes the diversity quite nicely; "To be competitive, a supply chain must be cost-efficient, responsive, flexible, agile, accurate (in terms of product, quantity, place, time and quality) and easy for businesses to be part of. Yet achieving these qualities can be difficult in Asia - a region of great diversity in language, culture, currency, regulations, taxes, infrastructure, business practices, organizational forms and economic development. Complicating matters, this diversity exists not only among countries, but also often among cities within the same country - particularly in China."

Growing wallets and ever-intensifying competition have heightened customer expectations on one hand, while investors push for improved financial performance, particularly improved cash flow, on the other.

Added to this is the drive towards inventory optimization and improved forecasting. Strategic, coordinated sourcing (as opposed to procurement) is increasingly more critical, and major fast moving consumer goods (FMCG), pharmaceutical, and retail firms are transforming their global supply chains to become more customer focused.

As developing infrastructure systems in Asia struggle to keep up with growing demand for goods to move from point A to point B across varying temperatures, cold chain logistics management requires great flexibility in planning and dexterity in lateral thinking. The most efficient transportation routes across Indian cities for example, may sometimes mean cross-docking between trucks.

Lastly, change does not come upon companies gently in Asia. Change almost always occurs swiftly and dramatically. The demand for supply chain managers who can quickly shift and adjust complex regional supply chains is hence extremely intense. It requires senior executive talent that have developed a deep hands-on understanding of the region's logistics frameworks and constraints, great personal drive and ambition, and a passion for extending their knowledge and experience beyond their standard day-to-day responsibilities. Finding such operational dexterous supply chain leadership talent however, will be like trying to find a needle in a haystack.

FINDING THAT NEEDLE IN A HAYSTACK

Asia's supply chain managers have traditionally risen through the ranks to manage their company's supply chain operations in their home country, but a manager's experience in one country does not necessarily prepare him for the next promotion: the jump to a regional supply chain role, dealing with new countries and all the complexity this entails.

The situation is complicated further by an education system that churns out graduates in law, medicine or finance and which offers very few courses dedicated to the instruction on Asia Pacific logistics or supply chain management. In fact, many Asian graduates do not view a career in supply chain management as being one of their first choices. Supply chain roles tend to attract sharp thinkers who are by nature, more process-driven. Such process scheduling skills could also be applied to their own career planning, except that in some companies, senior supply chain managers find themselves reporting into functions such as the CFO, other than a COO or even the CEO. This can at times, deter high potentials if they are unable to see clear direct routes to the corner office. To address this mindset, job descriptions could include clear career path development plans as well as key performance indicators that measure contributions that supply chain executives make directly to a company's profit margin.

Developing high potential talent for the future is the number one priority.



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*Finding such
operational
dexterous supply
chain leadership
talent...like trying
to find a needle
in a haystack.*
///

OPERATION HOPE

Modern supply chains are work force intensive, particularly at the entry level. This vast pool of people is the raw material from which companies can develop their supply chain leaders of tomorrow.

The key to developing operational dexterous supply chain leaders is to pump experiences into the leadership pipeline that are as broad and commercial-focused as possible. Companies must first identify the talent gaps amongst their base of high potentials that go beyond their specific job functions per se, and then lay out clear career frameworks and development programs to help them to better understand the organization's entire value chain and also to grow on a personal level.

On the job training is always the most effective way to groom leaders. Regular moves, both functionally and geographically every two to three years, that are supplemented by opportunities to lead multi-disciplinary teams, are critical to providing the necessary exposure to the entire organization and its value chain. Moving high potentials around the region to help them cut their teeth in solving the myriad supply chain challenges in various Asian countries will also help them to be better equipped to find the shortest and most efficient routes to operational dexterity.

Business courses and formal mentoring programs also play a part, but the real game changer is a corporate culture that shows that the company truly values leaders who make an effort to develop themselves beyond their stated fields of expertise - whether this is reflected in their key performance indicators or by providing the time, project leadership opportunities, clear career paths, feedback and financial resources that are needed.

Global giants such as Honeywell, Siemens, GE and Toyota have strong foundations in training and developing their operations based leaders, with the mindset that they need to do so in order to keep their competitive edges razor-sharp. Some even require their high potentials to have lived and worked in at least two continents before they are considered for promotion to senior management.

An Asia Pacific supply chain leader for one of the world's largest FMCG companies told us, "Developing high potential talent for the future is the number one priority of our organization's leadership team. Leadership that can quickly seize new opportunities to drive improvements in supply chain capability is essential. In today's competitive environment, staff who can lead teams regionally and globally, must have worked in and experienced many environments."

The ability to quickly and dexterously respond to a rapidly changing environment is highly sought after for CEO roles these days. In fact, more than a third of Fortune 1,000 CEOs have operational or supply chain backgrounds. It is such leaders who have the operational dexterity to improve margins, identify efficiencies and enhance cash flow and overall profitability, both in the good and the bad times.

ABOUT THE AUTHOR

Torbjorn Karlsson leads the Industrial Practice in Asia Pacific and has conducted numerous executive searches on behalf of supply chain clients in the region. Before joining Heidrick & Struggles, he gained experience with SAAB Aircraft, Rockwell Collins, Cathay Pacific and Honeywell Aerospace. Torbjorn is based in Singapore and can be reached at tkarlsson@heidrick.com or +65 6332 5001.

WHAT MAKES A LEADER IN A FLAT WORLD?

BY GARY DICK

It was a very different planet when New York Times columnist Thomas Friedman authored *The World is Flat*. Globalization may have overturned historical notions of world power and influence, yet the ten forces Friedman described as catalysts for a flat world, such as outsourcing, off-shoring, global supply chains, in-sourcing, information empowerment and personal digital devices, are still leveling the global playing field today.

One example of a flattening world can even be seen in the stadiums where rugby, which is zealously cherished by both Australians and New Zealanders, is played. Only recently have teams from China or Brazil began appearing at international test matches. A worldwide playing field means that new competitors and markets will arise from non-traditional places, and top players need to work hard on staying on top of their game.

Similarly, if any C-level executive - be they chief executive, chief financial officer or chief marketing officer - is to succeed in a flat world, they must recognize the relevance of global issues and their impact on the business environment in New Zealand and Australia.

Within the supply chain space for instance, a flat world calls for logistics or procurement executives to look beyond locations in Sydney or Christchurch to capture the most value out of fluid, global networks. William Fung, managing director of Li & Fung and co-author of another book, *Competing in a Flat World*, has said, "Today, a supply chain that produces an item in November may look completely different from one that produces it four months later. Price and speed and raw materials all have an impact. The cheapest way I know to produce a men's shirt now is to get fabric from certain parts of China, ship it to Bangladesh, and make the shirt there and it may be ready for the fall season. But if that style really started to sell well and you wanted to re-order in January for February or March delivery, I would take the same fabric and make it in Shanghai, more expensively but more quickly and reliably."

As such, more and more executives who aspire to the top teams within New Zealand companies are encouraged to develop offshore experience. More and more, leaders are recognizing the relevance of global issues and their impact on the business environment in New Zealand and Australia.

The growing focus on international best practice is a change that has a lot to offer - particularly for businesses with ambitions to compete in global markets.

Leaders today must not only develop cultural understanding but teach that knowledge to their top teams. While young nations such as New Zealand and Australia may enjoy the energy and vigor of youth, like young humans we have much to learn about our own limits.

Leadership Skills Versus Knowledge

How well are our executives learning to be global citizens? Can they stand alone in foreign environments far from their support systems, make decisions and take actions that work?

The fundamental qualities of leadership have not changed in centuries. Good leaders then, as now, had vision, strove to do something different, and distinguished themselves by outstanding abilities of some kind.

What has changed is the knowledge that leaders must possess, and the need to refresh that knowledge constantly to face changing circumstances. This focuses attention on the shelf life of leadership, and the need for leaders and organizations to plan renewal into their lives.

Recent business theory and history demonstrates the need to develop planning for the next life cycle while the current one is at its height. The principle holds as much for the individual as it does for the organization: both have to strive for continual development. But the fundamental attributes of leadership remain the same:

- *Trustworthiness*
- *Fairness*
- *Unassuming behavior*
- *The ability to listen*
- *Sensitivity to people*
- *Sensitivity to situations*
- *Initiative, initiative, initiative*
- *Good judgement*
- *Broad mindedness*
- *Flexibility and adaptability*
- *The capacity to make sound and timely decisions*
- *The capacity to motivate*
- *A sense of urgency*

To that list must now be added the ability to immerse oneself in a new culture and work hard to understand it, without falling into the trap of judging it.

Search firms looking for such people are reaching beyond superficial judgements on the basis of work history.

Historically, reference-checking with a superior was routine. Today we take a more comprehensive approach. We talk to peers and subordinates as well as superiors, closing in on specifics such as:

- *How does this person go about building a team?*
- *Was he/she effective - how, specifically?*
- *What results were achieved?*
- *What is their management style?*

The outcome of a search is to identify and place in a C-suite role someone who is an independent thinker, who is prepared to nurture a team - and accept the final responsibility of leadership.

Inter-cultural Communication The Key

Leaders are being judged by what they do rather than by the jargon they may have picked up along the way. They need to live the values they espouse, for they are often under intense media scrutiny. Those leaders who are admired are people who roll their sleeves up, get their hands dirty and keep the common touch. They are not aloof or arrogant. And they manage a workforce that is more diverse culturally than ever before.

Typically, those gaining the top jobs today are people who have worked in Australia, New Zealand and further afield. They return to the region comfortable on either side of the Tasman, or ready to move to other regions. Inter-cultural communication ability is the key, whether it's understanding that Americans may speak the same language as us but can be quite different in attitudes, or realizing that an outspoken manner does not necessarily work in Asia.

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...leaders who are admired are people who roll their sleeves up, get their hands dirty and keep the common touch.
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Already, the people in our community who win universal admiration are leaders whose sleeves are rolled up, whose hands are dirty. We will see this trend moving more strongly into organizations.

New styles of management are demanding – and rewarding – different sets of skills and qualities for the people who aspire to exercise authority and responsibility. Flatter structures in organizations tend to identify future leaders more quickly. If a manager hasn't won recognition by around 40, there's a temptation to think that they won't make it into the top leadership level later.

At the same time, flatter organizations, which don't offer the support of a rigid structure, call for smarter leaders, with more mature personal qualities. Often, these leaders are older. They have learned to give up small, individual goals to embrace the larger goals of the group.

With shortages caused by the ongoing retirement of the Baby Boomers, coupled with the destruction of middle management roles as technology advancements and cost-cutting measures are rolled out, there is a higher premium today on good experience. This means that we can increasingly consider older people with a shorter career life but richer personal resources when it comes to looking for leadership.

There is also a growing perception that true leaders are dedicated to the task, not the glory. Recognition goes to the function rather than to the individual. In organizations, this shift highlights the role of leaders in setting a style that underpins collegiate cultures and more collaborative behavior.

Transparency Equals No Place To Hide

Greater transparency in organizations has profound implications for leaders and in the selection of people who will be effective leaders.

Transparency is also widening the gap between leaders and managers. Flatter structures tend to sharpen the edge of individual responsibility. Roles are less blurred and there is no room to hide.

Wider information-sharing across intra and extra-company networks means that there is less opportunity for "information politics" or the old "knowledge is power and I'm going to hoard it" mentality. People can communicate sideways more easily without going through a hierarchy.

For the top team, these changes mean less involvement with transferring knowledge and more involvement in the development of leadership and team-building skills.

ABOUT THE AUTHOR

Gary Dick has extensive experience in executive search and leadership consulting in the New Zealand and Australian markets. While Gary places executives across the C-level spectrum, he has a particular interest in the e-commerce, consumer, retail, service, financial services and trading sectors. He can be reached at gdick@heidrick.com or +64 (9) 306 6630.

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Our Industrial Practice team combines unparalleled search resources with a deeply consultative approach. Working closely with the client, we develop the ideal candidate profile against the organization's unique competitive challenges, business objectives and leadership culture. By considering far more than candidates' functional or industry backgrounds, we enlarge the talent pool to help find the talent most qualified to meet those business objectives and address the client's real hiring needs. Perhaps most importantly, this approach helps avoid the disastrous mismatches between candidate's capabilities and role requirements that have plagued many industrial companies during this time of dramatic change and increasing complexity.

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