

Bringing 'Asia' onto the board

Finding the right candidate presents some familiar, and not-so-familiar, director-recruiting challenges. **BY JULIAN HA AND ANNE LIM O'BRIEN**

RECENT FORECASTS by the International Monetary Fund confirm what most multinational companies have known for some time: the best hopes for growth in the foreseeable future lie in Asia. While growth in advanced economies is expected to reach only 2.5 percent in 2011, emerging and developed economies are projected to expand by 6.5 percent. China and India will lead the way, growing by 9.5 percent and 8 percent, respectively. Vietnam is projected to grow by 6.3 percent, Indonesia by 6.2 percent, and Malaysia by 5.5 percent.

With these trends expected to continue well into the future, the companies we talk to are increasingly eager to add board members with experience and expertise in Asia. They want someone who has recently built or run a business there and who can bring an on-the-ground perspective to the board's oversight of strategy and risk in a region that necessarily looms larger than ever in company performance.

Finding the right candidate, however, presents some familiar and not-so-familiar challenges. Boards that understand these challenges — and the options available for addressing them — will position themselves to attract colleagues whose business experience and connections will bring wisdom, insight and advice about Asia into their boardrooms. When done well, this can have significant impact and create a real difference in results.

The Challenges

The first challenge lies in taking care to define precisely what you mean by 'Asia.' Although it should go without saying that Asia is not a country but a continent



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comprising numerous countries and cultures, it is surprising how vague companies can be, especially at the board level, about their needs in the region. By 'Asia' do you really mean China? India? Indonesia? Japan? A combination of several

countries? The answer, of course, depends on the company's strategy in the region. But if that strategy embraces more than one country, someone who knows one country there doesn't necessarily know any of the others — and their varying degrees of political, business, economic and social circumstances.

Given today's country-by-country growth forecasts, boards looking for 'Asian' representation often actually mean China *and* India. That can be a difficult bill to fill, especially if there is only one vacant board seat. But clarity about wanting both, rather than willingness to settle for one or the other, is likelier to lead to the optimum solution, which may, for example, turn out to be an expat who has worked in both countries.

A second challenge lies in finding qualified people who are willing to serve. We have found that when it comes to China or India, many multinationals target the same high-profile people — well-known Chinese and Indian nationals who have built and operated the most successful companies in their respective countries. The number of boards on which it is humanly possible for these much-in-demand, familiar figures to serve is, of course, limited. Further, many of these leaders prefer not to serve on U.S. boards because of what they see as an unacceptable level of personal liability and reputational risk. Many also disdain the due diligence that boards exercise in carefully screening and comparing candidates as a distasteful 'beauty contest,' which they want no part of.

Nevertheless, your company might still want the expertise and the reputational halo in the region that these high-profile leaders can provide. In that case, you can forgo bringing them onto the board and, alternatively, create an advisory board. An advisory board offers several advantages. Its members aren't subject to the liability issues that make many high-profile executives reluctant to serve on the statutory board. An advisory board also gives you the opportunity to secure the ongoing advice, market knowledge, and the power to open doors by as many as a dozen or more experienced people, instead of one, as with the statutory board. Companies preparing to be traded in those regions can also benefit from the advice and influence of these 'kitchen cabinets.'

If you prefer to have that expertise directly on the statutory board, you can look beyond the high-profile candidates. There are many competent people who not only are qualified to serve but who also have more time than the already oversubscribed familiar names. This pool of talent includes strategic business unit heads who have held responsibility for the countries in which you need expertise. For example, a head of marketing who has marketed to the great emerging middle classes of China and India will have attained highly specialized and proprietary knowledge and insights that can be invaluable for companies attempting to migrate their brands to those countries. Similarly, a global head of HR who has built an organization across your target country could also be attractive, provided he or she has the broad ability of a business generalist. For manufacturing companies, a senior supply chain and logistics executive, with the appropriate Asian experience, may add significant value to discussions in the boardroom. As with any board recruitment, the caution here is to ensure that these functional leaders have the business acumen and commercial instincts and can bring that valuable holistic business perspective at the board level.

A more mundane, but no less daunting, challenge for adding a board mem-

ber who resides in Asia is the issue of travel. Asia-based board members of U.S.-headquartered companies must traverse many thousands of miles and many time zones in order to attend board meetings. With the number of board meetings now averaging almost six meetings per year, the time lost in travel and in accommodating jet lag becomes an unacceptable burden for



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board candidates who have responsibilities at home that require their presence and attention.

To make intercontinental board service less onerous, Western-based boards could consider using videoconferencing to ease the travel burden on Asia-based members. However, given that Asia is

of increasing importance, boards could elect to have one or more of its meetings held in Asia. This would provide the additional benefit of exposing other board members to a company's Asian operations and opportunities.

The Choices: Pro and Con

Beyond those general challenges lie the specific challenges of assessing the backgrounds and experiences of candidates. Broadly speaking, there are three general pools of talent from which multinational boards draw their Asia expertise: (1) non-Asian expats with extensive experience in the board's target Asian country or countries, (2) nationals of the target country currently residing there, and (3) nationals from the target country currently residing and working in the United States.

Candidates from each of these groups offer distinct advantages, as well as potential drawbacks, all of which should be borne in mind in your assessment of any particular candidate:

- **Non-Asian expats with experience in the target country** know what it's like to build a business as a foreigner in that country. Ideally, they understand the operating obstacles and are familiar with the challenges of navigating what can often be very difficult political, regulatory, and cultural environments. Further, if they have worked for a U.S.-based company, they will understand and appreciate governance requirements such as Sarbanes-Oxley and SEC regulations, as well as the pressures that boards today face from the public, activist shareholders, and policy makers.

On the other hand, unless they possess extraordinary cross-cultural sensitivity and experience, there are inevitably going to be limits to their understanding

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of the culture and the country. In China, for example, the social dynamics that govern business interactions — from relationship networks (*guanxi*) to the role of “face” (*mianzi*) in personal relations, to the importance of the government and the Party — are difficult to navigate for most non-Chinese. Non-Asian expats might not even be aware of their own limitations — in effect, they “don’t know what they don’t know.”

They may also lack the high-level business or political access that is needed in the target country, and they may have no deep-rooted local networks there. In addition, it may be difficult to gauge precisely the degree of success they have achieved, which is essential to understand in order for you to judge the quality of the advice they provide.

- **Nationals currently working in the target country** may possess in abundance some of the characteristics the non-Asian expat may lack, including extensive local networks and widespread business and political access. They may also have greater knowledge of government policy and regulation, and how those things are likely to play out in reality for your company. And by virtue of their political or business position in their country, they can enhance your company’s reputation there.

Their potential drawbacks, in addition to the travel issue, could include little knowledge of the governance requirements on U.S. boards and little understanding of the culture of such boardrooms. Unless they have excellent English language skills, they could also

have difficulty both picking up on the nuances of what is going on around them and making themselves fully understood by other members of the board. In addition, their political position, which from afar might appear enviable, could in fact be precarious or marginal.

- **Nationals from the target country currently working in the U.S.** and who ideally have attended a U.S. undergrad-

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uate, graduate, or professional school offer the advantage of familiarity with American culture as well as their culture of origin. They are likely to feel at home on U.S.-based boards, both in terms of governance and board dynamics. Ideally, they have linguistic fluency in both countries because, while English may be the international language of business, the ultimate language is that of the customer — and emerging markets encompass 80 percent of the world’s population.

Conversely, longtime residence abroad may have frayed the local networks of these “expats.” Their knowledge of their home countries may be out of date, and

their political and business access may be limited or nonexistent.

Getting It Right

To these three pools of talent, we might also add the somewhat anomalous, but highly attractive, pool of talent in Singapore, especially for companies pursuing a multicountry Asian strategy. As Singapore has established its central position as the regional headquarters for many multinationals and developed into the world’s fourth largest financial center, it has groomed impressive executive talent. And as colleagues in our Singapore office observe, the understanding of Western governance practices and policies is mature there, and since English is the first language, two frequently observed obstacles to U.S. board service are reduced or eliminated.

As this catalogue of the pros and cons of various candidate types suggests, there is no easy answer to the challenge of bringing ‘Asia’ onto the board. One thing, however, is clear. As Asian markets and their importance to multinationals continue to grow, the competition for such board members will only intensify. They are already the most in demand, the hardest to find, and take the longest to close. To get it right, boards must not only be able to precisely determine their companies’ goals and accurately assess candidates, but also resist the temptation to let the difficulty and urgency of the task lead them to accept a less than optimal result. ■

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