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### Who is Taking your Business Across Borders? Harnessing Human Capital for Successful Regionalization in Asia

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#### Citation

SMITH, Richard Raymond; Switzer, C.; and Craig, E.. Who is Taking your Business Across Borders? Harnessing Human Capital for Successful Regionalization in Asia. (2010). 1-45.

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# Who is Taking Your Business Across Borders? Harnessing Human Capital for Successful Regionalisation in Asia

Rick Smith, Carly Switzer and Elizabeth Craig

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Research Report

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# Contents

<b>3</b>	<b>Synopsis</b>	<b>14</b>	<b>What Really Sets the Best Apart</b>
<b>5</b>	<b>Summary of Key Findings</b>	18	Cultivating a global mindset
<b>7</b>	<b>About Our Research</b>	22	Developing local leaders
<b>9</b>	<b>Understanding the Asian Context</b>	29	Nurturing diverse teams
<b>12</b>	<b>Identifying the Toughest Human Capital Challenges</b>	33	Facilitating collaboration
		<b>37</b>	<b>Taking Action Now</b>

# Synopsis

As the dynamics of globalisation change, Asia has become the focal point for business growth. With the region's immense diversity across cultures, language, politics, economic development, climate, geography, populations and resources, human capital management is perhaps the most critical and most vexing success factor for companies seeking to invest/operate/grow/expand here. To develop this report, we explored the question of successful regionalisation in Asia from a human capital perspective. We asked, What human capital challenges do business and HR leaders face in their quest to succeed in Asia? What initiatives have they launched to overcome these challenges? And what business outcomes can these programmes produce?



What we learned might surprise you.

As it turns out, high performing businesses in Asia share a mindset that appreciates, celebrates and leverages regional and global complexity to achieve great results. We call this a global mindset. Further, these organisations create a higher level of employee engagement by embracing diversity—looking outward across multiple cultures, collaborating effectively across borders and developing leaders who can direct and grow their business successfully across borders.

Leading organisations have long structured their operating models to make the most of Asia's diverse environment. Now, successful organisations are leading the way in developing programmes that tap the diversity in people, skills, beliefs and behaviours that lie across more than 20 countries throughout Asia.

In this report, we tell you how they are doing it.

Of course, our focus is not just 'nice to have' local human capital programmes. We also investigate the human capital elements essential for executing business strategies and achieving high

performance. The stories shared in this report will inspire your organisation to find new ways to create a global mindset, develop local leaders, leverage diversity and foster collaboration among your teams in the Asia region. Organisations of all sizes are embracing similar efforts, enabling business innovation and growth beyond their biggest aspirations.

High performing businesses in Asia share a mindset that appreciates, celebrates and leverages regional and global complexity to achieve great results.

# Summary of Key Findings

The most important outcome of this report is a set of actionable business insights around human capital practices that make a difference in the Asian business climate and culture. Through our primary and secondary research, we found a number of unsurprising results and confirmed many things we know about growing and expanding successful businesses in a new era of globalisation and regionalisation. But the most intriguing results from this research revealed one overarching theme that permeated nearly all the subsequent insights. That theme is: A global mindset is strongly linked to employee engagement and company performance and is critical to successful regionalisation in Asia.

A global mindset—the set of attitudes, behaviours and practices that determine how an organisation approaches tasks critical to globalisation (or regionalisation)—is essential to a company's ability to achieve or maintain high performance. (See Figure 1.) The wrong mindset can compromise these efforts.<sup>1</sup> We believe that a companywide global mindset sets the stage for global thinking and action on three critical levels: (1) organisational infrastructure, processes and values (for example, does the company have tools/technology and practices in place and integrated into business processes to support work across borders?), (2) leaders' attitudes and behaviours (for instance, are leaders comfortable operating in multiple cultures and heading culturally diverse teams?) and (3) employees' attitudes and behaviours

A global mindset is strongly linked to employee engagement and company performance and is critical to successful regionalisation in Asia.

(to illustrate, are employees sensitive to differences between cultures and can they work effectively with colleagues, suppliers and customers from other countries?).

Fostering a global mindset at all levels proved to be a critical success factor in its own right, but a companywide global mindset also underpins the local success of the three human capital capabilities that we found to be correlated with performance and engagement in Asia: developing strong local leadership, nurturing diverse teams and facilitating collaboration. (See "Three Vital Human Capital Capabilities".)

### Three Vital Human Capital Capabilities

**Build local leaders with the right skills for success across the diverse and complex Asian region.**

- Sourcing strong local leadership remains challenging. However, having well-structured high potential and global leadership development programmes helps.
- Strike a balance between 'getting things done' at a regional or global scale while also differentiating enough at the local level to remain competitive.

**Nurture diverse teams and foster flexibility across a rich fabric of cultures.**

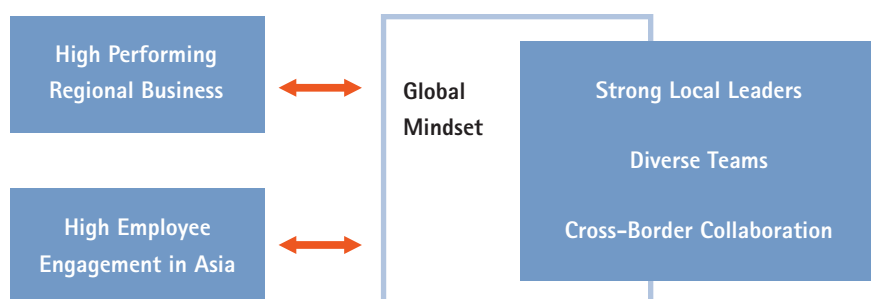
- Find clever ways to utilise favourable geographic, economic and political factors.
- Harness the diverse human factors—culture, skills, behaviours and ideas – embodied across Asia through nurturing and sustaining multi-cultural offices and regional mobility.

**Facilitate collaboration, communication, and knowledge sharing across borders.**

- Set up the infrastructure to leverage powerful technology/virtual collaboration tools.
- Establish a culture in which knowledge shared is far more powerful and valued than knowledge retained by an individual or even an isolated business unit.

**Figure 1. The Power of a Global Mindset**

**Three human capital capabilities differentiate high performing businesses in Asia from the rest: developing strong local leaders, nurturing diverse teams, and collaborating across borders. However, to achieve business success in Asia, a companywide global mindset is essential.**



# About Our Research

This report brings together the findings of primary and secondary research that explored the human capital factors that have helped leading companies grow and operate in Asia. The research was conducted during the second half of 2009. We interviewed CEOs and HR leaders of global and regional organisations to discover the most pressing human capital challenges they have faced as their companies have grown across Asian borders. We identified the practices that have proved critical to surmounting these challenges as well as enhancing employee engagement and business performance in Asia. Our research methods included interviews, surveys and case studies.



Accenture defines "high performance" as enduring or sustained outperformance of peers as measured by a set of widely accepted financial metrics. Leveraging Accenture's extensive High Performance Business Research across more than 6,000 companies worldwide over the past decade, we have been able to apply high performance scores to the companies in our sample to analyse how human capital practices may contribute to business success.

It is also widely accepted that employee engagement is one critical driver of high performance. Engaged employees invest substantial physical, mental and emotional energies into their work and their organisation's success. Companies with highly engaged workforces have been shown to outperform their counterparts with less-engaged employees on a number of key financial metrics. One study cited a margin of 12% points in return on assets and 11% points in profitability. These organisations also create more shareholder value.<sup>2</sup>

In addition, engagement drives valued business outcomes such as productivity, customer satisfaction and employee retention, among others. Organisations with highly engaged workforces enjoy up to a 103% higher success rate (measured in terms of profits, productivity, customer satisfaction and employee retention) than those with less-engaged employees.<sup>3</sup> Since companies with more engaged employees are likely to be more successful in their regionalisation efforts, we also analysed how human capital practices might inspire engagement.

Participants in our primary research came from high performing organisations as well as some less dominant players to give us a small comparison group. In classifying companies as high performers in Asia, we considered financial indicators as well as social engagement and corporate social responsibility, market focus in Asia and the nature of operations and employee base across Asia for each organisation in our sample.

To achieve a comprehensive qualitative and quantitative view across more than a dozen participating companies, we conducted a survey with more than 250 middle-senior managers across a range of functions, interviewed HR leaders and senior business executives (including CEOs and Regional Managing Directors from all participating organisations) and held deep-dive focus groups with two organisations whose representatives could share details of their exemplary human capital practices.

Our survey explored the current most important challenges facing each company as well as the middle-senior managers' assessments of a number of human capital factors. The interviews and focus groups explored the specific nature of the human capital challenges confronting these companies. Participants also described in detail their most successful people initiatives and shared their opinions about how these initiatives have benefited their business in Asia.

We also drew on other significant and relevant studies completed by Accenture Research and the Institute for High Performance to inform our understanding of the business context and to triangulate our findings. In addition, we brought our

significant Asian business experience to bear in shaping insights and drawing conclusions.

Most notably, we have considered the forces identified in Accenture's "Multi-Polar World" research series while defining factors for growth and recommendations for how to build a successful operating model in Asia. An effective global operating model—the means by which a company executes its business model and international growth strategy—is critical to success in a multi-polar world.<sup>4</sup>

We have also looked at how emerging market multinationals take a different approach to globalisation than "Western" organisations moving from developed economies to emerging markets. Specifically, emerging market companies focus more sharply on some of the "soft components" of their operating model. We will elaborate more on the relevance of this in the next section.<sup>5</sup>

Last, our high performance business research has demonstrated that shared mindsets are essential to a company's ability to achieve or maintain high performance—and a global mindset is critical for successful international expansion.<sup>6</sup> In our recent consulting work in North Asia, we developed measures for assessing and benchmarking a company's "global readiness." The insights and approach from that work has informed our understanding and evaluation of the global mindset.

# Understanding the Asian Context

For some time now, businesses have found themselves operating in a world where economic power and possibility are increasingly diffused across geographic borders, especially to emerging markets. Even in the depths of the downturn, the resilience of emerging markets has become evident. Developing economies have not only weathered the crisis better than developed economies, they are also helping to power the global recovery. (See "Economic Growth in Asia.")

## Economic Growth in Asia

Established Asian economies like Japan, Australia and Singapore have long played on the global stage. But Asian giants such as India, China, Malaysia and Indonesia are rapidly beginning to influence global economic activity.

In 2009, for the first time, emerging markets accounted for half of the global economy. Consider:

- Emerging markets are expected to generate the bulk of the growth in the world economy in 2010.
- They attract a larger share of foreign direct investment than developed markets, and drive an increasing share of outward investment flows.
- The six largest emerging economies (the "B6")—Brazil, China, India, Mexico, Russia and South Korea—are on a path to grow by 5.1% in 2010.

The next wave of emerging economies includes Indonesia, Malaysia, Nigeria, Thailand and Turkey—places where emerging-market businesses have continued growing despite the global recession. Indeed, the number of emerging-market companies in the Fortune Global 500—a leading ranking of the world's largest companies—has more than quadrupled in less than 15 years, from 20 in 1995 to 91 in 2009.

This year's fortieth annual meeting of the World Economic Forum in Davos, Switzerland, drew more than 2,500 leading figures from political, business and academic circles around the world. Those attending reflected the continued ascendancy of emerging markets on the global political and economic stage. Two years ago, for example, the voices from China were largely absent from Davos; in 2010, Chinese participants voiced their views confidently. The most prominent among them was Vice-Premier Li Keqiang, who delivered a special address to the Forum. Other names included Cheng Siwei, former vice-chairman of the Standing Committee of the National People's Congress; Zhu Min, vice president of the People's Bank of China; and Wang Jianzhou, China Mobile's CEO.

Executives from Asian and Western hospitality companies interviewed for this study all stated that China was one of their biggest regions in terms of market size and investment. But they are already experiencing oversupply of accommodations in some areas. That said, China also represents the biggest outbound tourism market right now. Savvy companies are positioning themselves to capture the Chinese tourist trade outside of China. On the other hand, hospitality industry executives cited India as the biggest opportunity. India has a relative undersupply of accommodations for a large population that has an expanding and wealthy middle class. There are many domestic travelers,

and India is an attractive and popular inbound tourist destination and increasingly important business-travel hotspot. Southeast Asia also received several votes. Singapore was described by Pan Pacific Hotels Group's regional business manager as "globally anchored" yet having the "advantage for reaching out to the Chinese market" with its Chinese culture, language and ethnic heritage. Executives rated Thailand as one of the strongest tourist destinations in Asia and expect to see growth in Vietnam and Indonesia as well. In the chemical and pharmaceutical industries, Thailand was also reported to be a particularly important country from a manufacturing perspective, while Vietnam, China and India were cited to be the biggest growth areas.

In 2009, Accenture studied how high-performance businesses had been evolving their strategies to succeed in the multi-polar world.<sup>7</sup> The research found that high performance businesses conceive of and execute their strategies in new and consistently different ways. In particular, the findings showed that companies need to:

- **Create geographic options:** Proactively and continually look outward to sense the environment and make focused choices about where to compete and whom to engage.
- **Be authentically local:** Become fully embedded in the chosen markets, weaving operations into the fabric of local business and society.
- **Network the organisation:** Create organisations that are internally and externally permeable—enabling ideas, people and industry-leading practices to flow to the right places at the right time.

This finding is particularly relevant when considered from an Asian perspective, because Asia is not a homogeneous region. Many of the dynamic forces shaping the global economy are swirling in this region as well. Asia embodies a spectrum of economic, cultural and political diversity not seen in other geographic regions in the world. Of course, China and India have played an increasingly prominent role on the global economic stage. Australia, Singapore, Japan and South Korea represent Asia's mature developed markets. The new wave of markets to emerge includes Malaysia and Indonesia. And there are still many less economically powerful countries in the neighbourhood. What makes this particularly challenging for companies growing across the region,

yet an exciting opportunity for Asia, is that both developed and emerging economies sit side by side, sometimes even within the same country.

Further, Asia is home to the two most populous nations on the planet, China and India. But consider also the numbers of citizens in Indonesia (more than 200 million) and in Pakistan, Bangladesh, Japan, the Philippines and Vietnam (each estimated at over 100 million). These Asian giants rank among the top 15 countries by population size. They represent a significant potential market and a great source of talent to be cultivated. They also contain a treasure trove of diverse beliefs, practices, behaviours and ideas that make the region complex to navigate but rewarding for those who can leverage this diversity.

We have seen both Western and Eastern organisations venturing into and across Asia with very different approaches. While much has been written from a Western perspective about the 'dos' and 'don'ts' of venturing into Asia, we were also particularly interested in what Asian companies themselves have done differently as they regionalised within Asia. Our experience and research<sup>8</sup> suggest that so-called emerging market multinationals (EMMs) tend to regionalise using an 'E2E' approach—that is, they embark on their overseas growth by first investing in similarly developing economies before venturing into developed economies, if at all. E2E enables companies to build experience in more familiar markets before attempting to enter more mature and less familiar markets. This pragmatic approach to risk is rooted in the growth stages of EMMs and offers lessons that can be applied to regionalisation east-to-east across Asia.

However, 'the East' is not synonymous with 'emerging.' As Microsoft's Vice President for Asia Pacific Region, Emilio Umeoka, put it:

"APAC is the most diverse of the multi-country areas as it comprises both very mature and emerging markets. Different countries and regions will be driven by different combinations of factors. For example, expansion in Indonesia will be driven by market size, while expansion in Korea will be driven by innovation due to the amount of human capital produced from universities. There is a balance between market potential and the stage of the country's technology adoption."

As this executive further explained, Microsoft has selected Beijing as home to its largest R&D facility outside the US due to "its incredible amounts of creativity and enthusiasm...and to capitalise on the top universities in China and the rest of Asia." Meanwhile, access to highly skilled engineers in Shanghai has made the city Microsoft's choice for its Asia Pacific technical support centre.

In a business world where "East meets East" now on an increasing scale, we are all learning to work across Asia as a region. However, we are not an easy region – we are a collection of countries that do not have a history of working together. We are learning about working in Asia as a region regardless of whether we are from Korea, Japan, China, Germany, UK, US, Brazil or Singapore.

# Identifying the Toughest Human Capital Challenges

Many high performing companies have focused on the 'hard components' of diversity across Asia through their operating models. For example, organisations have leveraged labour arbitrage for manufacturing and shared services in low-cost locations. They have achieved tax efficiencies in their supply chain and corporate functions by distributing activities to countries with more favourable tax incentives. And they have gained access to talent by locating intellectually intensive activities like IT and R&D in hubs for innovation and education, as in the Microsoft example. But successful organisations based in emerging markets have further sharpened their competitive edge over their developed market counterparts by emphasising the 'soft' components of their operating models, including "highly personalised leadership" and "interpersonal networks".<sup>9</sup>

However, getting these components right is no small feat. Participants in this study overwhelmingly agreed that talent and resourcing, leadership, and learning and development, in that order, were the biggest human capital challenges facing their organisations. (See Figure 2.) Below, we take a closer look at these challenges.

The executives we interviewed all agreed that having strong local leaders who can provide purpose and meaningful direction to motivate employees, finding the right talent and developing the skills required to meet business needs are the keys to operating successfully and expanding in Asia. Alfonso Zulueta, Eli Lilly's President and General Manager for Japan (the company's second biggest market) told us that "in many markets, as the level of capabilities is not there yet, we still have to bring in foreigners to lead the local markets" and that this is "at the expense of business and local talent." Yet importing foreign leaders has also helped Eli Lilly "prepare the locals well for the role... [In] the past, [we got] locals to lead too quickly, and it was disastrous." The company learned from this experience and has formulated a targeted human capital strategy and leadership development programmes that address different challenges at a local, regional and global level. This is covered in more detail later in this report.

Japanese giant Mitsui Chemicals has traditionally run its regional Asian business from its headquarters in Tokyo, selling mainly to Japanese customers. Its leadership team has always comprised only Japanese. However, Mitsui's Managing Director for Asia Pacific, Mr. Nawa Yasushi, explained that to support growth across the Asian region, "we replaced the HR General Manager from Japanese to a local." Mitsui

**Figure 2. Top Challenges Across Companies Surveyed**

Rank	Human Capital Challenges
1	Talent and Resourcing
2	Leadership
3	Learning and Development
4	Performance and Rewards
5	Flexibility and Adaptability
6	Collaboration
7	Regional Mobility
8	Cultural Diversity

"depends heavily on headhunting to fill in the local positions, as it is very difficult to find the people internally, especially for those who have been accustomed to the Japanese way of doing things."

Interestingly, the US-headquartered global chemicals giant Dow Chemical has found that its formal and structured American approach to identifying and sourcing talent did not meet the company's talent needs for its Asia operations. It began looking beyond formal sourcing channels and technical job requirements and qualifications to source local talent. Butch Clas, the company's SE Asia/Australia and New Zealand HR Director, noted that "one of the most successful ways we've gotten senior leaders was through local networks." He added that it was equally important to be flexible in determining a candidate's fit for a particular role. Citing the example of sourcing for a leadership position in Thailand, he explained:

"We found someone who was technically capable but had no leadership skills, and another didn't fit the Thai culture... eventually we hired a candidate who had the right 'soft' skill sets; for example, demonstrated leadership skills and credibility with teams and management, which is a tougher skill set to find.... The technical capabilities can be built."

Several survey respondents agreed that the most critical skills managers needed to supervise effectively across countries included active listening, team building and engaging others. Further, there was a high match between their rating of these skills and their agreement as to whether they themselves possess these skills. During our interviews and focus groups, participants described structured yet flexible leadership development programmes designed to build these critical skills. The programmes are offered at multiple levels of the organisation and are strongly supported from the top.

Top challenges across the organisations we studied also included performance and rewards, followed by flexibility and adaptability, collaboration, regional mobility and cultural diversity. When we asked our study participants to rate their **satisfaction** with the human capital practices used in their companies to address these challenges, the lowest ranking areas were performance and rewards, learning and development and talent and resourcing.



# What Really Sets the Best Apart

Leadership and talent sourcing are important and challenging for all companies, but what really differentiates the most successful companies from the rest? We analysed the linkages between two key measures of success in Asia (business performance and employee engagement) and various human capital factors, including leadership, talent management, learning and development, diversity and collaboration.

We discovered that a global mindset is a major theme underlying companies' success factors:

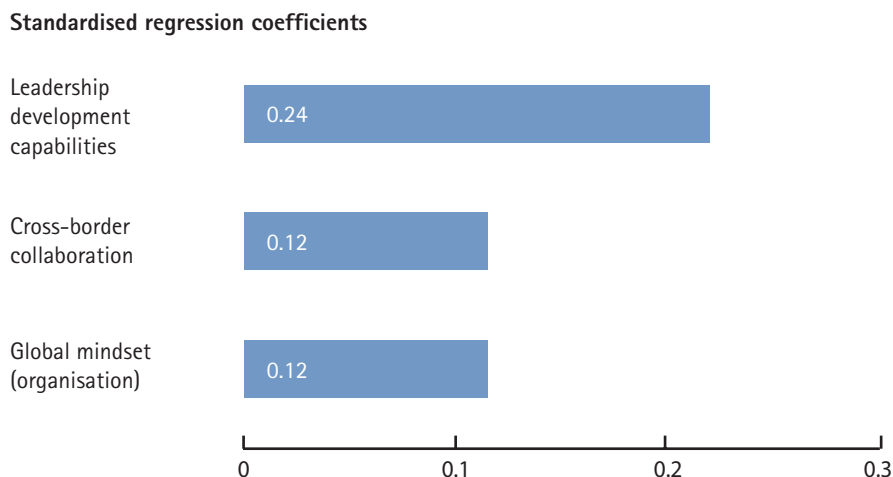
- High performance businesses have better leadership development capabilities, a commitment to cross-border collaboration, and a globally-minded organisation, with values, infrastructure, and processes that enable it to execute work across borders. (See Figure 3.)
- Employees are most engaged when they believe their leaders and co-workers have global mindsets and are comfortable working in culturally diverse organisations and operating across borders, when their company values talent, when they have strong local senior leadership. (See Figure 4.)

A global mindset is thus strongly correlated with **both** company performance and employee engagement. The most successful companies in Asia possess a mindset that appreciates, celebrates and leverages regional and global complexity to achieve great results.

Further, we found that managers surveyed from the Asian offices of **Western** multinational companies are most engaged when:

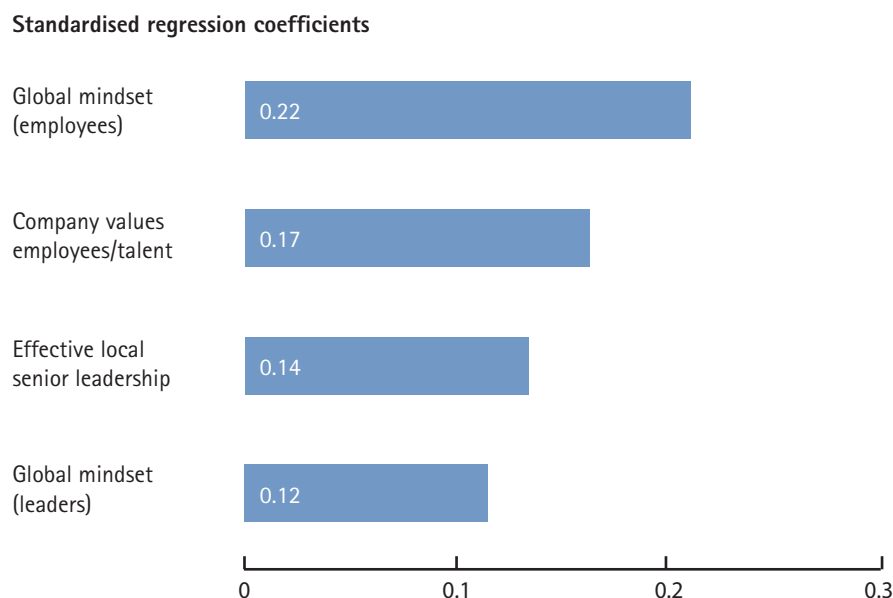
- Their immediate manager "leads by example" and "gives me the support I need to do my job well."
- People in their company "work towards the same company objectives regardless of cultural background."

Figure 3. Relative importance of factors explaining business performance



Compared with other companies, high performance businesses have better leadership development capabilities, more cross-border collaboration, and are more globally-minded, with organisational values, infrastructure, and processes that support regionalisation.

Figure 4. Relative importance of factors explaining employee engagement



Employees are most engaged when they believe their co-workers have global mindsets, their company values talent, they have strong local senior leadership, and company leaders have global mindsets.

However, managers surveyed from **Asian** offices of Asian companies, are most engaged when:

- Employees in their company "understand the perspectives of people from other cultures."
- Employees "are sensitive to differences between cultures."
- Employees "are able to change their behaviour to adapt to new situations."
- Employees "are comfortable working with colleagues from other countries."
- "Local senior leaders have the capability to make my company successful."
- "Local senior leaders lead by example."

Western organisations may be historically good at providing the support structures and unifying company vision that has made them successful. However, employees of local companies in Asia value attitudes and behaviours that nurture and adapt to cultural complexity and appreciate the different contributions of a diverse group of people.

Our findings make it clear that if companies hope to succeed and grow in Asia, they must lay the foundation by cultivating a global mindset at every level. They must then build the three pillars for success we identified earlier on that foundation: (1) developing local leaders, (2) nurturing diverse teams and (3) facilitating collaboration. (See "Critical Success Factors for Regionalisation in Asia.")

With these ideas in mind, let's now look more closely at how organisations that are succeeding in Asia build these capacities.

## Critical Success Factors for Regionalisation in Asia: Human capital characteristics that predict business performance and employee engagement

### What are the keys to high performance?

Multiple regression analysis of our survey data revealed that the strongest predictors of performance were leadership development, collaboration and a global mindset at the organisation level.

#### Leadership development capabilities

- Leadership qualities are continuously and formally evaluated in our company
- The leadership programmes of the company are effective in developing the right leaders for the company

#### Cross-border collaboration

- Processes for sharing information (e.g. regular regional meetings, email updates) work well to help our regional operations
- Cross-border communication mechanisms (e.g. telephone conferencing, online messaging systems, web conference) work well to help us achieve results
- Employees routinely communicate with colleagues in other countries in Asia
- Our people routinely share information and ideas with colleagues in other countries in Asia

#### Global mindset (organisation)

- The company provides global and cross-cultural experiences
- The success of individuals in the company depends on cross-country execution of work
- The company vision and strategy focus on regionalisation / globalisation
- It is easy for employees to identify and reach out to experts from other countries for help

### What are the keys to employee engagement?

Engagement was best predicted by employees' global mindsets, valuing employees as talent, strong local leaders, and company leaders with global mindsets.

#### Global mindset (employees)

- Employees understand the perspectives of people from other cultures.
- Employees are sensitive to differences between cultures.
- Employees are able to change their behaviour to adapt to new situations.
- Employees are comfortable working with colleagues from other countries.

#### Company values employees/talent

- Our employees feel valued in this company.
- The company views employees as talent and important contributors to the company's success.

#### Effective local senior leadership

- I believe that local senior leaders have the capability to make my company successful.
- Local senior leaders lead by example.

#### Global mindset (leaders)

- Leaders are able to change their behaviour and adapt their management style while working in new environments.
- Leaders are sensitive to cultural differences and understand perspectives of people from other cultures.
- Leaders are approachable to employees regardless of their nationalities.
- Leaders encourage and support working in cross-cultural teams.

# Cultivating a Global Mindset

When an organisation aims to expand its geographic footprint across Asia, the ability to 'think beyond borders' is essential for fostering the companywide global mindset essential for success. Companies must nurture a global mindset in both their home country and their host country, generating a common language that managers and employees can use to make decisions regarding everything from talent and innovation to supply excellence and customer reach. While it's important to take advantage of "the things that make us the same," it's also valuable to appreciate the things that differentiate people, cultures and contributions across your firm's geographic footprint.

To be sure, the many 'One Company' initiatives rolled out during the last decade have produced important business efficiencies. But there is a new recognition that the 'super global' must also be 'super local.' That is, multinationals must build a pervasive global corporate culture with values that transcend geographic boundaries **while** also fostering a local flavour and intimate connection to each country in which they do business.

In companies with a global mindset, the organisation embraces and enables working across borders and employees and leaders are open to and ready to support globalisation. For successful regionalisation, a global mindset must be present at three levels:

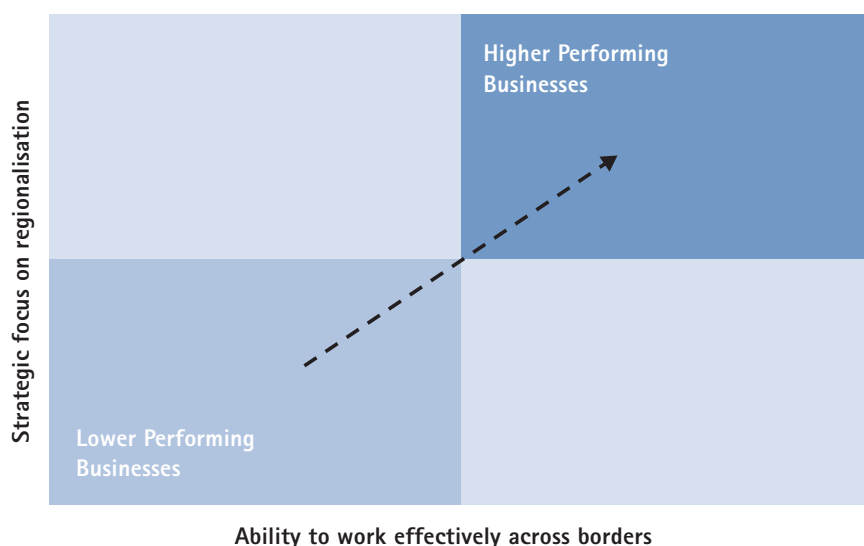
- **Employees:** Employees are comfortable working with people from other cultures, understand different perspectives, and adapt to new situations.
- **Leaders:** Leaders appreciate and support differences across cross-cultural teams, are approachable to employees regardless of their nationalities, and adapt their management style in new environments.
- **Organisation:** The firm's espoused values, vision and strategy speak to regionalisation/globalisation, and supporting structures facilitate cross-cultural collaboration and experiences and reward cross-border execution.

We concluded from our study that individual behaviours of both leaders and employees as defined above influenced regionalisation success in Asia. The supporting environment, strategy and infrastructure espoused by the organisation further reinforced those behaviours.

High performance requires a substantial commitment to reaching across borders—not simply with a strategic focus on regionalisation, but with an operational requirement of cross-country collaboration and execution of work. Companies with a clear global mindset are more successful—largely because they rely heavily on collaboration across borders. We found that managers from high and low performing companies were equally likely to report that their company has a strategic focus on

regionalisation. What really separated the high performers from the rest was the extent to which managers believed their company's success depended on their ability to work effectively across borders. (See Figure 5.)

Figure 5. Relative importance of Strategic and Operational Focus on Regionalisation





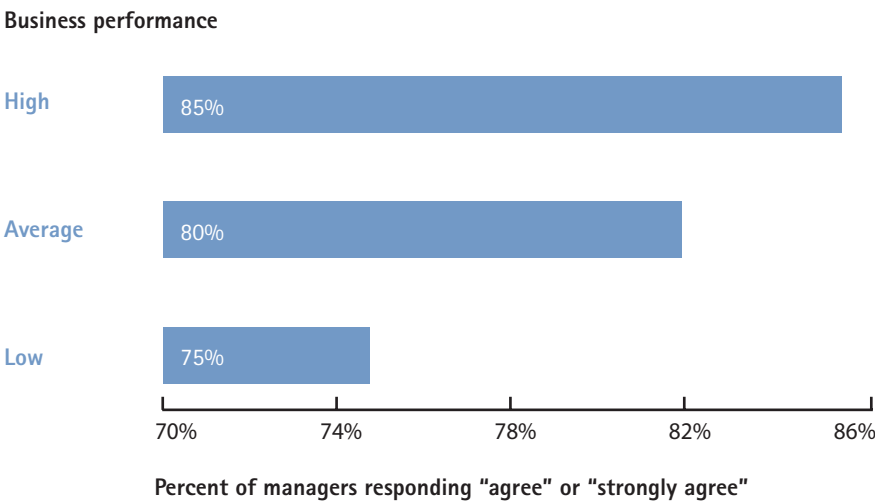
Employees Need Cross-Cultural Experience

With so much riding on employees' ability to work effectively across borders, it's perhaps not surprising that the high performing companies we studied exhibited a clear commitment to providing employees with global and cross-cultural experiences. Whether these experiences come through physical job mobility (for example, through expatriate assignments) or through use of technology (such as participation in geographically far-flung virtual teams), high performing companies make sure their employees have them. (See Figure 6.)

Eighty-seven percent of the respondents in our research said that the ability to understand cultural differences in mindset and behaviour, and to manage and motivate effectively across cultures, is a critical skill for managers. Managers who are equipped to work across cultures are not only more effective, they are also much more engaged. The managers we surveyed were ten times more likely to be highly engaged when they had strong cultural management skills.

Cross-cultural experiences prepare employees to support the company's globalisation efforts. They also demonstrate that the company values employees. As such, they are critical to engaging employees in achievement of the business's strategic goals. As we know, an engaged workforce delivers better performance than an unengaged one.

Figure 6. Percentage of respondents who say their company provides global and cross-cultural experiences by company performance



Globally Minded Leaders Make a Difference

Leaders also play a critical role in developing a companywide global mindset. Employees are more likely to have a global mindset when their leaders have the same mindset and are adept at managing across cultures. The lessons for leaders? Encourage and support participation in cross-cultural teams. Be sensitive to cultural differences and understand perspectives of people from other cultures. Change your behaviour and adapt your management style while working in new environments. And be approachable to employees regardless of their nationalities.

Familiarity with Change Fosters a Global Mindset

But other organisational characteristics matter as well. We discovered that employees are most globally minded in organisations that are comfortable with and good at managing change. Respondents in our study who came from companies that regularly lead change were twice as likely to report that employees are ready to support the company's globalisation efforts. In companies unaccustomed to change, respondents were more than seven times more likely to say that employees lacked the global outlook needed to support regionalisation.

## Does Your Company Have a Global Mindset?

How do you know if your company has a global mindset? Use the following key questions, based on those in our survey, as a basic checklist:

- Is your company's vision and strategy focused on regionalisation/globalisation?
- Does your company provide employees with global and cross-cultural experiences?
- To what degree does the success of individuals in the company depend on cross-country execution of work?
- Do your leaders and managers believe that the company's success depends upon their ability to work effectively across borders?
- Can leaders and team members adapt their management style to meet cultural expectations?
- Is it easy for employees to identify and reach out to experts from other countries for help?
- Is there a single language in which everyone can confidently contribute and be understood across borders?

The more "yes" responses to these questions, the stronger your company's global mindset.

During our interviews with business executives and HR leaders, we asked what having a global mindset meant to them. Sidney Chew, Executive Chairman for MegaChem, responded, "I always believe you must be able to squat down and have porridge with everybody as a leader. You cannot just sit at the top."

For organisations wishing to succeed in Asia, we must all learn to 'squat down and have porridge' (or nasi lemak, or ramen, or dahl, or kimchi, or bánh mi or a meat pie, or Hokkien mee). This openness, sharing and engaging on a local level, across different locations, is the essence of a global mindset—which in turn supports companies' ability to develop local leaders, nurture diverse teams and facilitate collaboration, three keys to success in Asia.

"I always believe you must be able to squat down and have porridge with everybody as a leader. You cannot just sit at the top."

# Developing Local Leaders

One of the most frequently stated challenges in Asia is finding and developing local leaders. Most executives we interviewed cited leadership as a key factor that determined the success of their business in each country. In fact, an executive from a global consumer products company explained that their market share in an emerging economy is driven by the strength of the local leadership team relative to that of their competitors. After all, it is the local leaders who determine how the brands will be positioned, where they will focus and how the team will go after the market. We concur that local leadership is a critical factor, but what exactly constitutes effective local leadership?

To address this question, Accenture recently completed research to identify the defining characteristics of strong leadership. This “Best Leader” empirical research identified eight characteristics shared by effective leaders—characteristics that would be equally important for local leaders in Asia:

**1. Being an inspirational role model** – demonstrating commitment, integrity, values-orientation and optimism

**2. Building teams** – collaborating, fostering strong relationships, defining shared goals, exhibiting emotional intelligence and empowering others

**3. Holding people accountable** – setting high expectations and clear goals, recognising excellent performance and fostering a results orientation

**4. Having a strategic focus** – creating a compelling vision of a desirable future, communicating the need for action, establishing the context for plans, making sound judgments and fostering creative thinking

**5. Creating buy-in** – credibility, effective communications, personal connections, and enthusiasm

**6. Developing structures, systems and processes** – clarifying how these organisational elements work and designing them so that they support problem resolution, cooperation and action

**7. Taking initiative** – having confidence, being motivated, inquisitive, consistent and focused

**8. Making decisions** – having a results orientation and clear values, analysing information, earning others' trust, listening.

## Strong Leaders Enhance Employee Engagement...

We also found that strong local leadership has a significant impact on employee engagement in Asia. Forty one percent of survey respondents who reported that they are highly engaged were confident that their company's local senior leaders have the capability to make the business successful, whereas just 11% of disengaged respondents had similar confidence. (See Figure 7.)

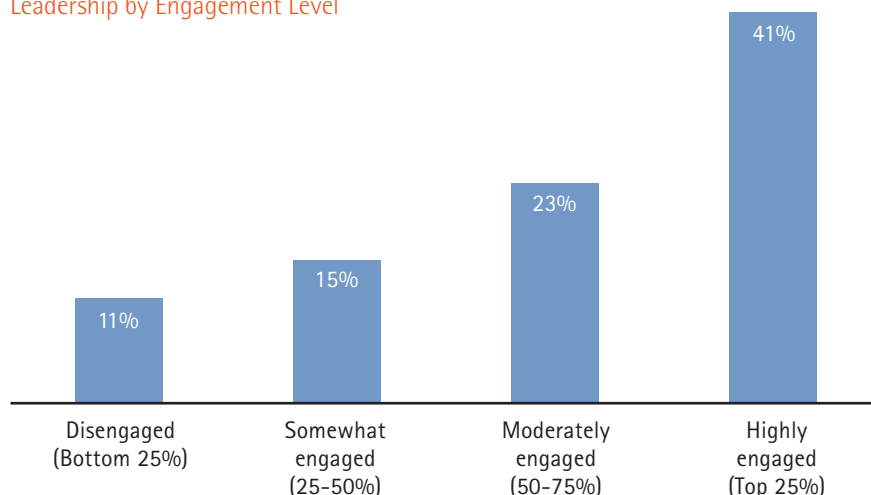
Managers were more than twice as likely to be highly engaged when they had strong local leaders. But when confidence in local senior leaders was low, respondents were 5 times more likely

to be disengaged. The absence of effective local leadership not only dampens employee engagement, it also leaves the workforce unprepared to support the organisation's goals—including expanding business geographically.

At a global chemicals company we studied, employee engagement is viewed as critical to success in Asia. Top executives say that it is “a very people-oriented company” in general, but they have determined that their leaders' ability to engage people is a key driver of growth in Asia. For this reason, they are investing in leadership development as a way to boost employee engagement in the region. While some companies clearly focus on leadership development as a vehicle to drive engagement, there are many unfortunate examples where the wrong local leadership creates disengagement in the workforce.

For example, many Western multinational companies have long sent expats to Asia to serve as local leaders. One such

**Figure 7.** Percentage of Respondents with High Confidence in Local Senior Leadership by Engagement Level



assignment by a manufacturing company with a growing business in China ended in disaster when the local expat leader failed to earn the respect and trust of his local team. Instead, the local team members left the organisation, worked against him or simply disengaged. Over three years, the company suffered declining productivity, worsening staff troubles, mounting financial losses and shrinking market share—during a time of overall market growth.

Having strong local leadership in Asia is not a 'nice to have'—it is a 'must have' for business success. Employees rely on local leaders not only to make decisions that affect organisational strategies, but also to engage the organisation and build local momentum for the future. When employees believe in their local leaders, they have confidence in the future and a positive perception of the organisation. While engaging the workforce, strong leaders also develop future leaders through their coaching, mentoring and role modelling. They therefore create a pyramid of strong leadership in their local organisations.

### ...and Foster a Global Mindset

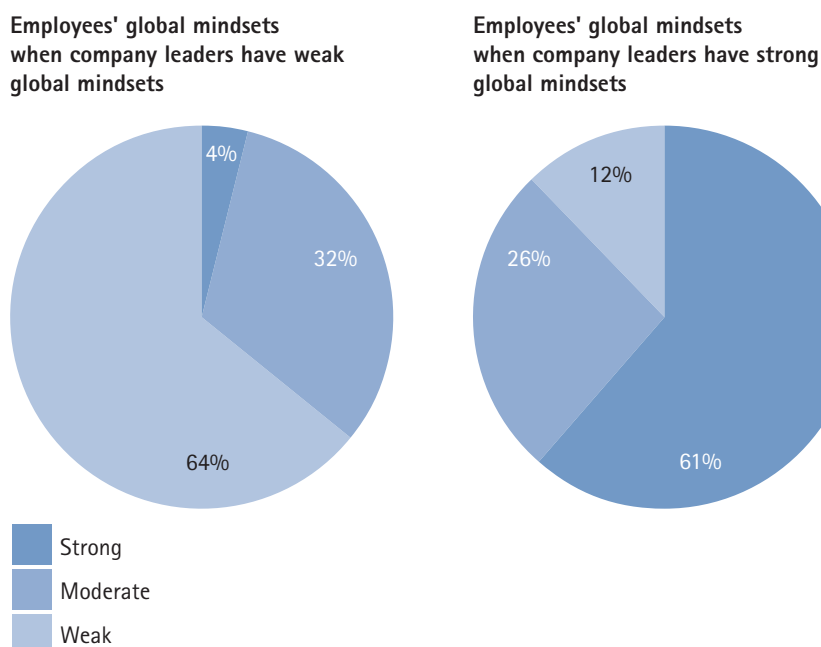
In addition to fostering engagement, strong local leaders are the key to developing a global mindset among employees. In fact, employees are more than eight times as likely to have a strong global mindset when their leaders do—and more than nine times as likely to be unprepared to support the company's regionalisation efforts if their leaders lack a global mindset. (See Figure 8.)

Leaders who demonstrate awareness of and appreciation for Asia's diversity foster similar qualities in their employees. And those who share information about global trends help clarify the context for their company's globalisation efforts,

especially when they show respect for other locations and practices. Finally, local leaders who can share perspectives and ideas from first-hand experience forge even stronger global connections for employees. According to Patrick Imbardelli, CEO of Pan Pacific Hotels Group, a global perspective is a key criteria in their selection of management team members, since it directly affects employees and customers alike.

Leaders further encourage a global mindset when they change their behaviour and adapt their management style while working in new environments. This sends a clear signal about their openness to diversity. Leaders who encourage employees to work in cross-cultural teams and help teams work across boundaries enable their people

**Figure 8. Relationship Between Leaders' and Employees' Global Mindset**



to gain first-hand experience themselves, which will prove important as they move into leadership roles in the future.

## How to Develop Effective Local Leaders

We found that high performing companies in Asia have more effective learning and leadership development programmes than their lower performing counterparts. In fact, in our analysis of human capital capabilities, the effectiveness of leadership development was by far the most important differentiator between high performers and other companies in Asia. Nearly one in four high performance businesses had top-quartile leadership development capabilities, while just 5% of other companies could say the same.

What are these companies' secrets? They use the following tactics to build local leaders' abilities.

### Use a blend of sourcing strategies

Leaders develop and coach future leaders. All the top performing companies in our research place a strong focus on developing leaders from within. They then task leaders with grooming others for leadership roles. Creating a strong internal leadership pipeline is one way of ensuring a steady supply of strong leaders. But this is easier said than done in Asia, with its complex demographics.

Many companies augment internal leadership development with acquiring leaders from outside to meet their growth objectives in Asia. 'Building and buying leadership talent' requires careful planning and a broad view in terms of geography and time. For example, one global chemical company is identifying local leadership needs that must be met across its Asia operations to manage expected organic growth as well as planned mergers and acquisitions. Likewise, Microsoft moves leaders into position to manage the company's immediate needs while also seeking longer-term talent that can grow with the organisation over the next 5–10 years.

It is imperative for businesses pursuing regional strategies in Asia to source local leaders, owing to their understanding of local market, management effectiveness and cultural fit. For example, executives from one global giant in our study prefers to "let Asians run Asia—they can best relate to the local culture and governance." A major retailer in the region also tries to source local leaders from within the country. The CEO states, "It's a lot easier to learn about processes and systems than to try and learn the market. A foreigner only sees what happens now and does not have context on past events that contribute to current situations—locals know their country inside out."

Companies can use a combination of hiring locals and expats, internal promotions and external senior hires to source leaders. For external recruitment, a business might target Asian nationals educated overseas by partnering with foreign business schools.

Strategies for sourcing senior local leadership talent should be endorsed directly by the CEO. Many executives in our study stated that they constantly look for talent at industry networking events, local business gatherings and even social events. Several commented that it is not about filling positions; it is about finding the leadership talent and then making the positions.

### Create rigorous leadership development programmes

In addition to looking externally for talent, high performing organisations have rigorous leadership development programmes in place. These programmes can generally be classified into four types of development:

#### Assignment-based development—

This includes expat assignments or other developmental assignments for the purpose of developing leaders. Many organisations offer expat assignments across Asia as 'East meets East.' Learning to work across borders and developing a global mindset are critical for local leaders. Those future leaders who are open to assuming leadership roles in other countries, even in geographies perceived as 'difficult,' set a great example and gain extensive first-hand experience. For example, Eli Lilly now provides more Asia regional expat assignments than Western assignments to build strong Asian leadership teams.



**Training** — This includes formal training and action-based learning programmes, and sessions can be held in-house or off-site. Learners may take part in classroom training, often in cooperation with a business school, consultancy or in-house training entity. These programmes help participants develop core skills and enable them to define and work toward longer-term development goals. Many companies set these training experiences in places like Singapore, to take advantage of the multicultural experiences available in such international locations.

**One-on-one focused development** — This includes mentoring, job shadowing and coaching. Some organisations create cross-border mentoring programmes, since leadership capabilities are often more easily sourced in mature markets. Companies establish a good mix of local and international talent by fostering the transferring of skills from experienced managers to less experienced ones. Some organisations groom local leaders by assigning experienced mentors to work with them on day-to-day business issues.

**Leadership networks** — Companies leverage enthusiasm of less developed markets to build and retain local leadership by networking in the region. For example, MegaChem holds a global conference for the leadership network teams hosted by different countries to allow everyone to gain exposure to the company's local operations.

Our research findings suggest that using a blend of programme types is best. (See "Leadership Development at Microsoft" and "Leadership Development at Eli Lilly.") Most organisations also use one or more types of feedback as a basis for development planning. For example, many use 360-degree surveys or external assessments to help leaders in development set and reach goals.

## Leadership Development at Microsoft

Microsoft's leaders know they must adapt the company's products and services to better serve a changing market; for example, selling to consumers vs. enterprises. And they know they must develop future leaders who can orchestrate these changes.

To that end, Microsoft created an adaptive leadership programme in which people coach each other on how to solve problems, deal with challenges and handle difficult situations. Through 'learning circles,' the programme helps participants address real-time business issues while learning best practices from each other.

Participants attend 2-3 classroom sessions to which they bring an actual challenge to share in detail with the group. They discover how to define the problem and apply adaptive principles to solve it as a group.

The company has created learning circles across geographies in Asia to address the types of problems specific to the region. While the programme itself is 6-12 months long, participants are strongly encouraged to continue attending learning circles afterward.

Geographic dispersion and language diversity within work groups present unique challenges and opportunities in Asia. Microsoft employees from different countries vary considerably in their proficiency with English and confront problems of diverse complexity and scale, depending on the maturity of the economies in which they are working. Yet, this same diversity also provides useful insights about the many different cultures and geographies in which the company does business.

The leadership development programme has created excellent networking opportunities for participants, and feedback from the programme has been very positive. Many participants report experiencing important shifts in their thinking and behaviours—including enhanced maturity and accountability.

## Leadership Development at Eli Lilly

Eli Lilly bases its leadership development on the "70-20-10" principle: development is driven 70% through experiences, 20% through relationships, and 10% through programmatic learning (based on research by the Center for Creative Leadership). All three elements are important and the key is to strike the best blend for each individual.

Through talent assessment and succession planning at the country, regional and corporate levels, Eli Lilly identifies the highest potential talent for development to more senior roles. HR at Eli Lilly plays a strategic role in planning and implementation for all three development elements for this pool of high potential talent. Firstly, HR identifies developmental experiences across functions and borders to accelerate development. Secondly, HR ensures that these high potential talents are assigned senior leaders as mentors to augment the support from their supervisors. Finally, HR ensures that these talents are prioritised to attend leadership development programmes at the regional and corporate levels.

As far as programmes are concerned, Eli Lilly has invested in a number of leadership development initiatives at the country, regional and corporate levels. Conducted at the country level (for example, China, Korea and Japan), local programmes aim to develop leadership talent within the country, usually at the first-line supervisor level. Eli Lilly has

recently developed a regional programme for Asian talents that is taught by General Managers and senior functional executives from the region as the faculty. Faculty members each identify a specific, current business challenge for which they need a solution, and assign these to participants in teams. Participants learn from one another as they work on the business challenges in teams, and are closely mentored during the programme by the faculty. Participants also join in interactive classroom sessions focusing on elements of execution, using insights from Ram Charan and Larry Bossidy's book **Execution**. Global programmes, conducted at headquarters in Indianapolis, invite key talent from around the world to study leadership from a global standpoint. These programmes focus on general leadership skills, industry knowledge and 'soft skill' development.

All three types of programmes—local, regional and global—encourage participants to reflect on how their new knowledge can help them interact more effectively with their immediate supervisors and direct reports, align with the company's vision, clarify personal and professional goals and adapt their behaviours and leadership styles. The programmes thus help broaden participants' perspective through the exchange of best practices and exposure to senior management. Moreover, mentor-protégé pairings enable participants to seek direction and advice from senior leaders. After taking part in a programme, participants often report and demonstrate increased levels of commitment and energy to achieve the targeted objectives. These programmes have paid off in other ways for Eli Lilly as well. For example, the company has seen improvements in employee engagement and achievement of individual development plans, which benefits individuals, and realisation of succession plans, which benefits the business.

We identified several additional practices that can strengthen a company's leadership development efforts:

- **Mix leaders** – Many organisations are benefiting from mixing diverse leaders (in terms of age, cultural background and experience) across organisational levels and across business units. While this was considered taboo in earlier times, it presents valuable new learning opportunities for all leaders.
- **Clarify leadership competencies** – High performing companies have a clear leadership competency model that guides their development programmes.
- **Link leadership development to company strategy** – The most effective leadership development programmes are aligned with the business's plans and strategy across Asia. For example, one organisation has a 'Hot-People-Hot-Jobs Program,' which enables the company to match "suitable people moving into their next positions in the next 12 months."
- **Sponsor senior leaders** – When senior leaders invest in developing others' leadership abilities, they not only strengthen the company's succession pipeline; they also improve retention of leaders across the organisation.

- **Support development through HR processes** – When HR processes for talent development align with the company's leadership development strategy, the strategy stands a far better chance of delivering its promised results.

#### **Take advantage of international resources**

In the future, we expect to see more companies working together across industries to maximise their leadership development efforts. For example, the government of Singapore has already launched a Human Capital Leadership Institute aimed at developing leaders across Asia and taking advantage of Singapore's position as an international hub.

### **The Human Capital Leadership Institute in Singapore**

Sensing the growing need to address human capital and leadership challenges in Asia, the government of Singapore has launched a new centre: The Human Capital Leadership Institute. The HCLI will leverage Singapore's natural hub location in Asia as a place where the global mindset is developed and leadership naturally congregates in the region. Singapore's bold move to develop this unique centre will provide a place where companies across Asia can learn, grow and advance their human capital strategies for Asia.

# Nurturing diverse teams

The Asian business setting has never been as culturally dynamic and diverse as it is today. Previously, workplace diversity mainly referred to the variety of nationalities represented in an organisation's ranks. But today, diversity is also about having a degree of familiarity and comfort in interacting with co-workers of different nationalities, work styles, beliefs, and cultures. More important, it means achieving a level of productive engagement across a company's many parts to help achieve business goals.

The increasing diversity within companies and between companies and their customers presents organisations with an important opportunity. But how, exactly, should companies seize that opportunity? The following practices can help.

### Anchor on shared corporate values

Regardless of the composition of each company's workforce, or the range of its geographic footprint, executives agreed that consistent companywide corporate values and vision remain a necessary foundation for diverse teams to work successfully together towards a common goal. Without a common vision, diverse employees sometimes fail to understand how they contribute to their company's goals and its success. In our survey, 42% of managers who strongly agreed with the statement "Employees work towards the same company objectives regardless of cultural backgrounds" were highly engaged, while just 9% who agreed with this statement were disengaged. In fact, 95% of highly engaged respondents agreed that diverse workforces share objectives, whereas just 66% of disengaged employees agreed.

Sidney Chew explains that at Megachem, a common global vision sets the stage for teams to share successful practices across countries and to function as a global team in areas such as consistent customer experience and cross-selling for other countries. Most companies in our study agree

that when company values are kept the same throughout geographies, they create unifying themes that can help guide common ways of working while also acknowledging the unique cultures employees are operating from. Among the managers we surveyed, 80% of those who were highly engaged said their company values are consistent across locations in Asia. Most disengaged employees (55%) reported a lack of consistency across the region.

### Be 'Authentically Local'

Even as they establish a unifying companywide vision, companies that have successfully operated in Asia strive to be 'authentically local.'<sup>10</sup> In some cases, this represents a change in tradition. For example, in the past, few enterprises located in Japan had non-Japanese leaders, and few foreign offices of Japanese companies were led by people of other nationalities. But today, there is a good mix of Western and other Asian leaders representing Japanese companies.

Japan-headquartered Mitsui Chemicals recognises that to succeed across Asia, they must establish local leadership teams in countries where they do business. They know that they "need local leaders who understand the local markets," acknowledges Managing Director, Nawa Yasushi. Executives have recognised the constraints of the company's predominantly Japanese internal leadership pipeline and have begun striving to source externally to address the issue.

Programs that enable executives to rotate across roles and countries to actively participate in designing and

executing human capital strategy initiatives support authentic local leadership. Only by immersing themselves in a local culture can leaders gain familiarity with cultural distinctions and determine how to leverage them. Consider Marriot's on-boarding programme for general managers. The programme matches executives with guides or mentors who can help them assimilate into the local culture and learn about its norms. The company also conducts cultural training for employees.

### Build a Multi-Cultural Workforce

A workplace without a single dominant culture fosters a more open, collaborative environment supportive of cross-border growth. Many executives we interviewed noted the distinction between multi-cultural and culturally homogeneous. Leaders of one company explained that diversity allows them to "understand different cultures and customers, and align these back to improve the business model to make it a success." They noted that having a diverse workforce means that you don't need to be in China to understand what the Chinese are thinking. Dow Chemical's HR Director, Butch Clas, described how their Shanghai office comprised a "mini-UN-like team with people from so many nationalities that not one dominated and not one was left out." By contrast, executives we spoke with who come from more culturally homogeneous companies said that a key

constraint is being “accustomed to only one way of doing things,” which poses challenges when they are expanding operations to other countries.

If companies with multi-cultural workforces are better at achieving business goals than those with culturally homogeneous work environments, executives may find value in looking into the cultural mix in their offices. Of course, assembling culturally diverse work groups isn't enough in itself; companies must also put diversity of thinking, experiences and perspectives in the service of important business objectives. Encouraging employee mobility can help.

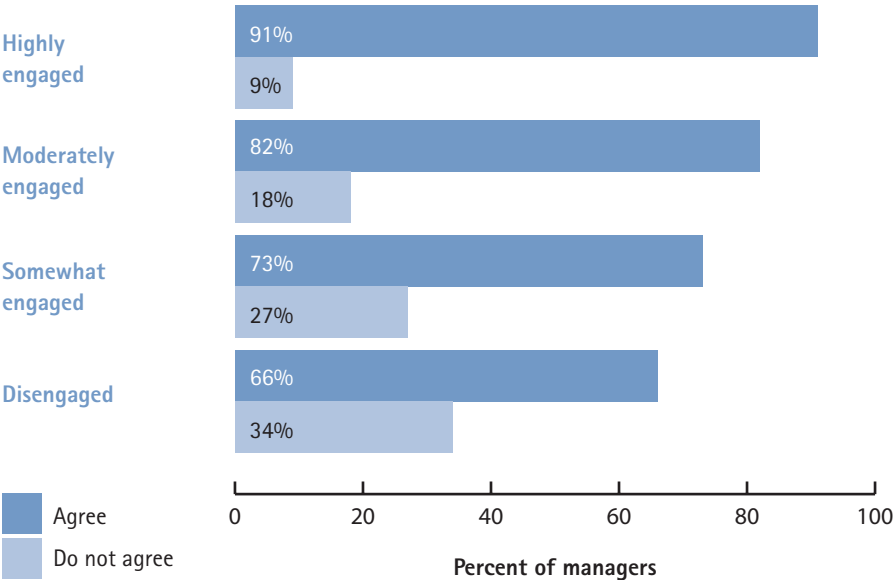
Encourage Employee Mobility

Providing employees with opportunities to be cross-posted on a temporary basis helps companies grow talent and expand employees' global mindset. It also prepares employees for possible future long-term cross-border postings. Mitsui Chemicals' Employee Exchange Programme aims to introduce job posting across countries. As Nawa Yasushi pointed out to us, the programme has two main goals: “On the push side, sometimes we want to give the local staff opportunities to study abroad and to understand a different culture, whereas on the pull side, we want to employ a good engineer, so that we can deploy the employee across different countries.”

Such programmes can strongly boost engagement. Among managers we surveyed who agreed that they understand cultural differences in mindset

Figure 9. Manager's level of engagement by cultural management skills

“I understand cultural differences in mindset and behaviour, and manage and motivate effectively across cultures.”



and behaviour and can manage and motivate effectively across cultures, 91% reported being highly engaged. Meanwhile, just 9% of managers who disagreed with this statement were highly engaged. (See Figure 9.)

Executives from the global chemicals company we studied told us the company benefits from cross-country and cross-regional movements because, as they move around, people share best practices across countries. One leader said that this helps to “put the company in the right perspective,” one of openness, understanding and sharing. To develop people and generate valuable business results, the company specifically targets high potential employees for overseas rotations.

While moving people across countries is difficult, high performance businesses have had more success in this area. In our survey, only 2% of managers from high performance businesses strongly agreed with the statement “Getting people to travel overseas and take up overseas assignments is a challenge for operating effectively across countries in Asia for my company,” whereas 17% of managers from other companies reported this as a significant challenge.

How do leading organisations encourage employee mobility? They master the following challenges:



**Cultural and cost-of-living considerations.** For cross-postings within Asia, or into or out of Asia, employees may have reservations about immersing themselves in a very different and possibly unfamiliar culture. Many organisations have established orientation programmes to help transferees become familiar with the local culture and setting. For intra-regional moves, they may be particularly worried about shifting from a high-cost of living location to a low-cost one and suffering a loss of real income. Some companies address this by planning movements that take employees from lower to higher cost of living locations and coordinate transfers with a promotion.

**Family considerations.** Cross-border assignments also raise questions such as whether and where the employee's spouse will work and how their children will be educated. To address these considerations, companies prepare the most attractive overall package for relocation candidates.

**Lack of cross-border assignment experience.** Companies can address this challenge by preceding long-term relocation assignments with temporary or project-based assignments such as

learning journeys or knowledge-sharing sessions. These short-term assignments enable employees to gain at least some familiarity with another culture or job function, and this familiarity can boost their chances of succeeding in longer-term assignments. Early exposure to different cultures will also increase employees' level of comfort in working effectively in a diverse environment.

**Limited pool of qualified talent for cross-border assignments.** Current employees may lack the required technical and interpersonal skills for a particular assignment, as well as willingness and preparedness to relocate. Executives we interviewed who come from companies that have successfully expanded in Asia make cross-border mobility planning a central feature in their long-term leadership development strategies. For example, they identify next-generation leaders early on in their careers, and define mobility as a key attribute to be promoted in these future leaders.

In light of Asia's critical role in business growth, multinationals will need to address any resistance to mobile assignments on the part of employees. They can do so by making the relocation proposition more attractive in terms of not only compensation and career growth but also potential to contribute to business results.

# Facilitating Collaboration

In a rapidly globalising economy, companies everywhere are increasingly interconnected and interdependent with customers, suppliers, and competitors. These dynamics are already evident in Asia, as global and regional businesses seek to enter new markets, reach new customers and explore new ways to collaborate with other players in their value chain. Cross-border collaboration—whether within the organisation or across the value chain—is essential to successful globalisation. In light of Asia's unique characteristics, this is particularly true for expansion within our region.

A strategic imperative for growth in the region may lead a company into new markets, but its success ultimately depends on the ability to share knowledge, collaborate and execute the growth strategy across borders. The best companies understand this and have cultivated this critical capability. In our research, managers from high performance businesses were more likely than their counterparts in other companies to say that the success of individuals in their company depends on their ability to work effectively with colleagues in other countries and to execute work across borders.

The following practices can help companies foster that all-important collaboration needed to succeed in Asia.

The success of individuals in high performing companies depends on their ability to work effectively with colleagues in other countries and to execute work across borders.

### Make Cross-Border Interaction Routine

To conduct truly 'borderless business,' companies must enable individuals and teams throughout the organisation to work together toward achieving business goals across countries. In fact, our research revealed that among a range of human capital capabilities, a company's commitment to cross-border collaboration is one top factor that differentiates high performance businesses from the rest.

Among the companies we studied, the region's high performers were more likely to require and support cross-border collaboration than other companies in Asia. Seventy percent

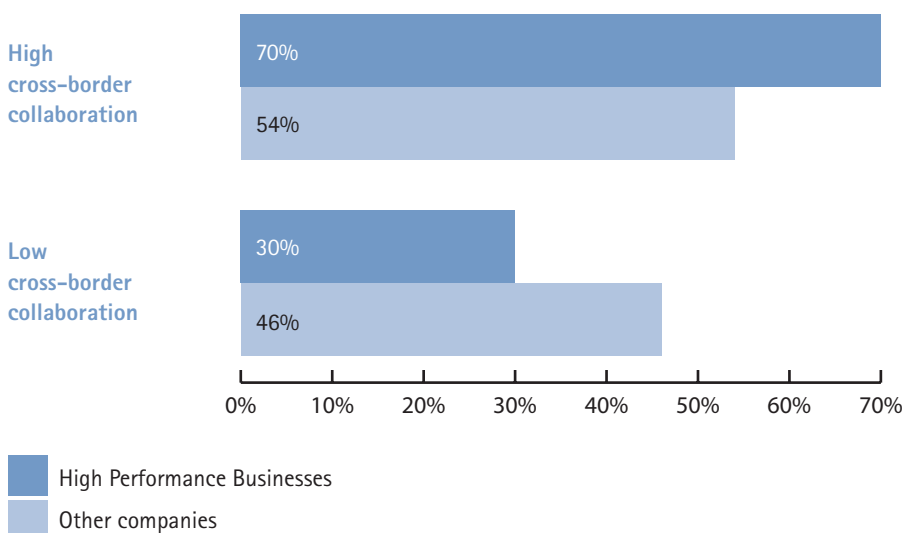
of managers from high performance businesses reported high levels of cross-border collaboration, whereas just 54% of managers from average and low performing companies said there was a high degree of collaboration in their company. (See Figure 10.)

We found that cross-border communication and knowledge sharing are routine in high performance businesses. Indeed, 83% of managers from high performance businesses in our study said that employees in their company regularly communicate with colleagues in other countries within Asia. Only 68% of managers in other companies said that cross-border communication was routine.

### Tap into Employee Engagement

Valued business outcomes—enhanced revenue, greater client retention, reduced cycle time, rising numbers of patent approvals—have all been linked to productive collaboration.<sup>11</sup> But our research reveals that cross-border collaboration is also linked to greater employee engagement. The managers we surveyed who said there is a great deal of cross-border collaboration at their company also reported being most engaged. In fact, respondents were more than twice as likely to be highly engaged when their company's employees routinely communicate and share

**Figure 10.** Extensive Cross-Border Collaboration Distinguishes High Performers from the Competition



information with colleagues in other countries in Asia and when there are mechanisms and processes in place that support collaboration across borders. (See Figure 11.)

Equally important, a lack of cross-border collaboration can seriously squelch engagement. People in our study who work in companies where there are few opportunities and supports for such collaboration were eight times more likely to be disengaged than people from other companies.

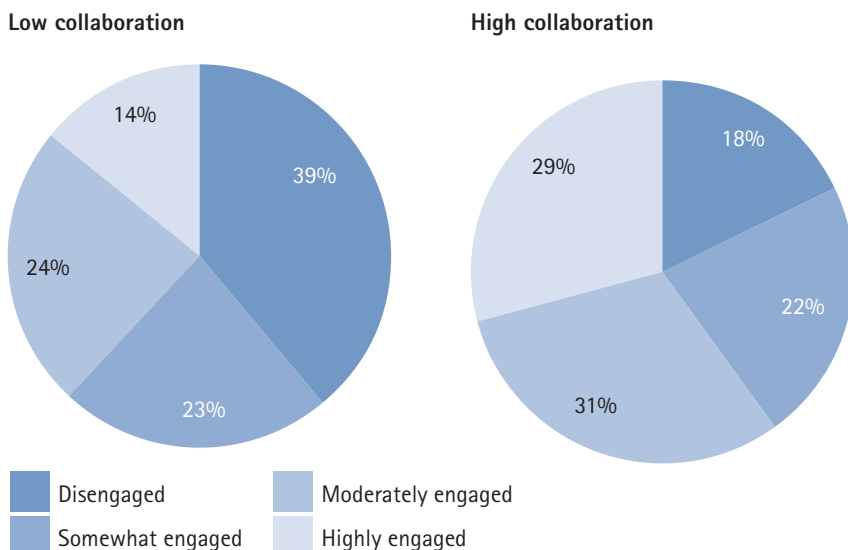
### Value, Recognise and Reward Collaborative Behaviour

High performing companies are more likely than their less stellar peers to value, recognise and reward collaborative behaviour. For example, Eli Lilly encourages the sharing of best practices and exchange of feedback—not just within their local affiliates but across Asia. The company's goal is to enhance both performance and employee development. Indeed, 'sharing the learning' is one of seven leadership behaviours used to guide and assess employees' growth.

The company also recognises and rewards collaboration. In Asia's often hierarchical cultures, Eli Lilly has managed to maintain a visible commitment to the open exchange of ideas—from the top down and the bottom up.

Microsoft offers another example. The company has always had a culture in which individual contributions were highly valued. But as they grew in size and complexity, the ability to work effectively across groups, countries and regions became increasingly important. Yet structural silos, along with a 'star' mentality, stymied cross-border

**Figure 11. Employee Engagement by Amount of Cross-Border Collaboration**



collaboration. The company has overcome the problem by nurturing a culture in which working together and sharing knowledge are valued even more than any individual's or group's performance. Today, a culture of collaboration exists across Microsoft's global operations. Performance management processes reinforce the message. For example, one required competency for managers and employees alike is cross-group collaboration. People are evaluated and receive feedback on how much and how well they interact and work with others.

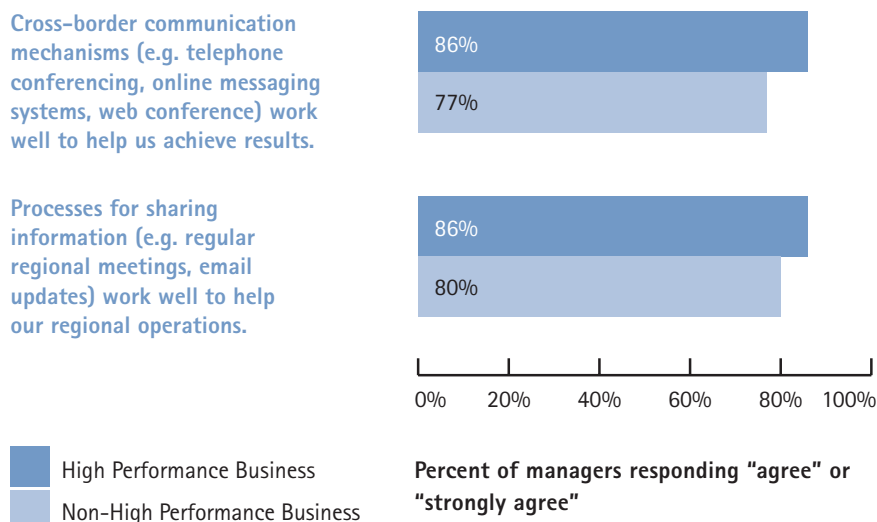
### Establish Enabling Processes and Technologies

Valuing and rewarding collaboration are important, but still not enough in themselves. Organisations must also establish processes and technologies to enable cross-border communication and knowledge sharing. We found that the most successful companies in the region were more likely to have processes and technologies in place to facilitate collaboration internally and externally. (See Figure 12.)

Marriott, for example, enables networking and information sharing through the use of business councils. According to Regan Taikitsadaporn, Regional Vice President—HR, Asia Pacific, "Each cluster will form a business council which constitutes hotel GMs and regional directors," where they can "share knowledge that can help others in another region." They also have an "internal intranet" where they can "post information for knowledge sharing."

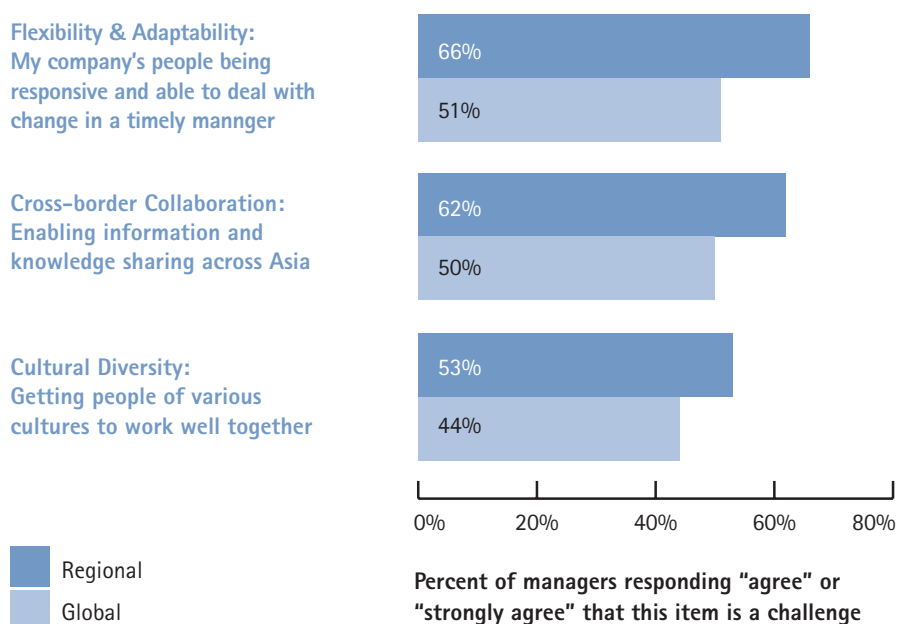
In Accenture's ongoing research on global operating models, there is some evidence that cultural values and norms around valuing relationships and creating powerful interpersonal and inter-organisational networks make emerging market multinationals particularly adept at cross-border collaboration.<sup>12</sup> However, inadequate organisation structures, processes and technologies can hinder effective collaboration. In our research, managers in regional Asian companies were more likely than managers from global companies to report that enabling information and knowledge sharing is a significant challenge to their company's ability to operate effectively across countries in Asia (62% vs. 50%). (See Figure 13.)

**Figure 12.** High performance businesses enable cross-border collaboration.



**High Performance Businesses were more likely to have processes and technologies in place to facilitate cross-border collaboration**

**Figure 13.** Regional Asian Companies Report More Significant Challenges Than Global Companies Around Flexibility and Adaptability, Cross-Border Collaboration and Cultural Diversity



A wide variety of tools can help companies operating in Asia surmount these difficulties. Such tools support real-time networking and collaboration in the workplace and beyond—allowing ever more complex tasks to be carried out across virtual global networks. Companies can now provide telephone, web, video conferencing, online messaging and social networking systems that reduce the need for costly and time-consuming travel. These technologies also help cross-border teams share knowledge and accomplish tasks far more quickly and efficiently than before. Cutting-edge social media and virtual collaboration technologies can further support real-time connections between team members.

## Distribute Corporate Leadership Geographically

We have already discussed the importance of creating multi-cultural workforces and avoiding the appearance of a dominant single culture to forge cross-cultural connections. Distributing corporate leadership geographically can further help encourage collaboration across a company's far-flung units. Consider Tata Communications' global business unit organisation. Vinod Kumoar, Chief Operating Officer, has said: "We don't want a headquarters. We want to have twelve locations, twelve centres of gravity." At Tata, global teams are spread throughout most regions of the world, requiring extensive cross-geographic team work.<sup>13</sup> By distributing leadership and responsibility widely around the globe, rather than concentrating it in India, the company empowers employees at all levels to communicate, exchange information and work together to accomplish shared goals.

# Taking Action Now

Driving a human capital strategy in Asia is critical to fostering business growth in the region. High performing companies have a companywide global mindset—taking a global perspective in their design of company structures, processes and values and in their definition of desired attitudes and behaviours on the part of leaders as well as employees. This companywide global mindset serves as the foundation on which companies can then build three crucial pillars for successful regionalisation in Asia: developing local leaders, nurturing diverse teams and facilitating collaboration. Our research shows that these factors are important drivers of employee engagement and performance in Asia and should not be overlooked in any company's quest to successfully operate in this region.

As we've seen, successful companies drive their human capital strategy from the top—ensuring that the strategy is a CEO-level priority. In this section, we draw on our research findings to offer steps for formulating and executing your human capital strategy in Asia.

### Step 1: Define a human capital strategy that prioritises the attitudes, behaviours and people practices critical to regionalisation.

Closely examine how your organisation currently operates within Asia or plans to do so in the future. Consider

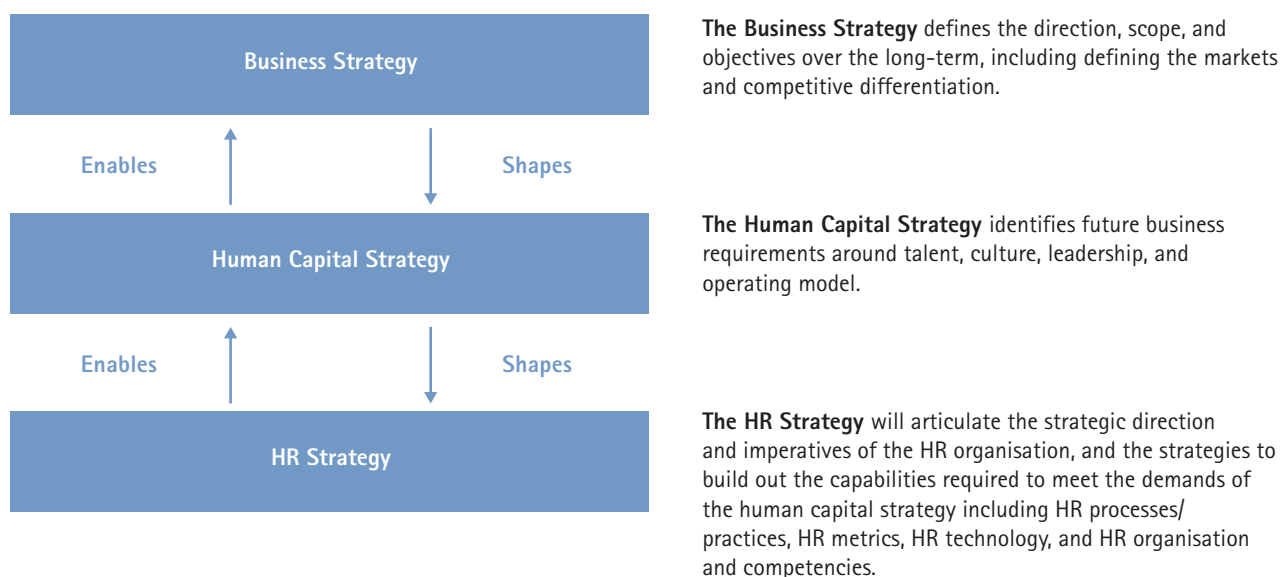
the 'centres of gravity' you have around your core business as well as the key hubs of activity supporting your business in the region. Do you have a clear understanding of how your company's people will successfully drive the business forward in Asia? Do you know what success looks like from a human capital perspective? Have you articulated a clear path of action for people to achieve that success?

A strong human capital strategy articulates the talent, culture, leadership capabilities and operating model required to execute your company's Asia strategy. It serves as a roadmap to successful execution, including clear milestones and metrics that enable you and other business leaders to track progress along the journey. A sound human capital strategy also serves as the foundation

for effective HR planning and execution—at both the regional and country levels across Asia. (See Figure 14.)

If regionalisation in Asia is part of your company's business strategy and executives have clear plans for market growth and operational efficiency in the region, they may already have identified the required 'hard' components of the company's operating model, such as processes and technology. Now, consider how a global mindset, strong local leaders, diversity and collaboration can help drive the business outcomes the company wants from its Asia growth strategy. Include these as priorities in your human capital strategy.

**Figure 14.** Human Capital Strategy Blends Business and HR Strategy



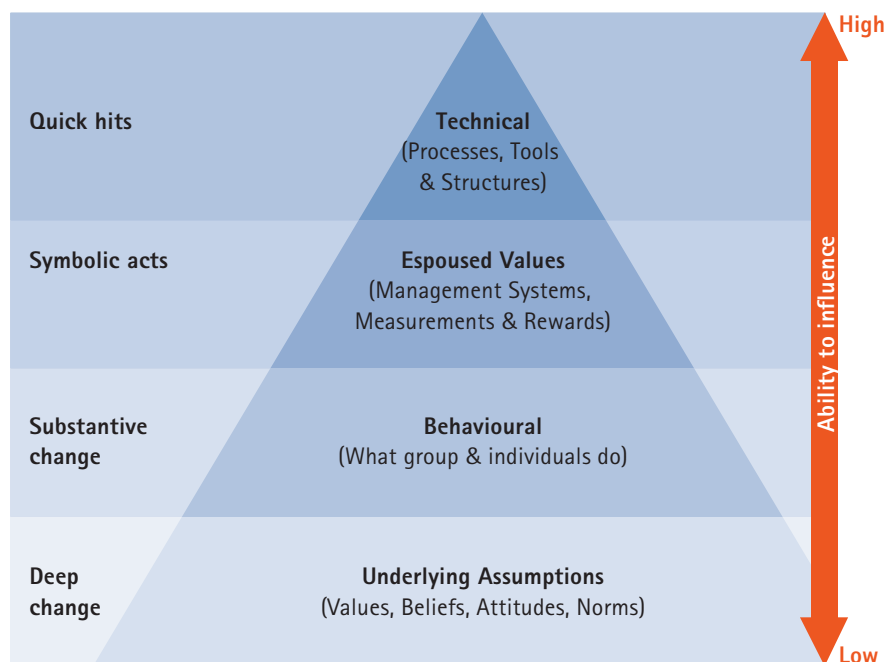


## Step 2: Diagnose your organisation's readiness for borderless business

A diagnosis of your company's global readiness can range from a quick checklist against characteristics discussed in this report to a detailed fact-based analysis. Analyse your organisation's culture to get a true picture of attitudes and behaviours that would help or hinder your company from building the global mindset, local leadership, diverse workforce and cross-border collaboration essential for success in Asia. We define culture as a shared set of assumptions, beliefs, values, understandings and meanings that guide a group's perceptions, judgments and behaviours. (See Figure 15.) Without a solid understanding of your organisation's culture locally, it may be difficult to execute your human capital strategy.

Also identify the key functions within your business that have the most potential to increase collaboration across borders. Typically, these might be sales, customer support, enterprise support, R&D and product development. However, a detailed assessment at both the macro (workforce) and micro (job function) level will help you start to build a global mindset in areas of your business where increased collaboration, more diverse teams and stronger local leaders will have the greatest impact on performance.

Figure 15. Culture Analysis Framework



Source: Schein, Edgar H. Organizational Culture and Leadership. San Francisco: John Wiley & Sons Inc, 2004.

## Step 3: Make establishing a global mindset the heart of your human capital management for Asia.

Regardless of the details of your company's overarching business strategy and its human capital strategy, your HR strategy in Asia should strongly feature programmes for establishing a global mindset as well as developing local leaders, nurturing diverse teams, and facilitating cross-border collaboration. Here are just a few examples of 'dos' that could help support these objectives:

- Do develop multinational leadership development sessions
- Do measure and monitor organisational culture and mindset
- Do build cross-Asian country culture awareness
- Do implement collaboration processes and tools
- Do assess the sources of talent for multi-cultural awareness

- Do develop a cross-border succession and leadership planning process
- Do create cross-border forums and communication channels that are embedded into the way people are working, measured and rewarded

And here are some examples of 'don'ts':

- Don't assume that putting an expat leader in place for each Asian country your company operates in creates diversity.
- Don't drive headquarters culture into each country in Asia.
- Don't adopt Western regionalisation approaches and management styles for each local Asian market.
- Don't assume that rotating only certain positions in each country constitutes 'cross-pollination.'
- Don't create collaboration channels that are not linked into business processes and could easily be abandoned from day-to-day work.

For business leaders and HR leaders alike, the need to focus on the Human Capital agenda has never been more critical. A solid plan to build global mindsets, develop future leaders, nurture diverse teams and facilitate cross-border collaboration is critical to the growth agenda in Asia. For the journey to be successful, it needs short, medium and long term goals that can be clearly measured and a strong HR capability in place capable of delivering the plan. HR has a clear mandate to drive the Human Capital agenda in Asia.

#### Step 4: Establish and sustain a strategic partnership between a high performing, globally ready HR capability and people-oriented business leadership

HR leaders face higher expectations than ever for contributing to their companies' growth strategies. Most CEOs today recognise that HR must serve as a true business partner to drive the human capital strategy needed to succeed in Asia. Clear guidance from the top of the organisation, as well as strong partnerships between business leaders and HR leaders, can help HR shape a human capital strategy that will support the company's Asia plans. Of course, HR also needs robust capabilities to build the credibility required to partner effectively with business leaders.

As Stephanie Nash, APAC Senior HR Director at Microsoft, explained:

"[Our HR group is] very close to the business in terms of understanding key business challenges and growth and

helping the organisation select the right talent to have.... They work very closely with business leaders, and are a key partner of the business along with Finance, Marketing and other functions. People drive business results and people are the assets; hence, there is a huge dependency on the HR function to partner with the business."

For HR to operate as a strategic partner, other business leaders in the company must endorse this role. At the chemicals company, the collaboration between HR and business leaders becomes "very close," as both parties assume ownership and accountability for performance and employee engagement. HR professionals act as consultants, working with managers to develop and implement human capital plans, and to assess how well these plans are supporting the organisation's growth strategies.

Many organisations are elevating HR from an administrative function to a strategic player. HR professionals who act as true business partners proactively cultivate positive relationships with leaders of other functional areas and offer solutions and strategic advice tailored to the company's business requirements and future needs. Indeed, at Microsoft, HR's responsibilities regarding the company's Asia operations also include media review, budgeting and collaboration aspects of the business. Says Stephanie Nash, "Microsoft conducts business review and people review on a separate track – that's how important HR is in Asia."

Eli Lilly's HR Director for Amerasia, Cliff Taylor, explains how he works with the country and functional heads, "using the same strategic planning process we have in the company for business planning, applied to address

people issues." He describes a detailed human capital strategy structured on the same framework as the business strategy and states that "a key input to the HR strategy is the business strategy...we have to ensure that we keep the HR strategy refreshed and with content that is specific for each country." HR and the country managing directors enthusiastically share ownership of the human capital strategy. Alfonso Zulueta, Eli Lilly's President and General Manager for Japan, pointed out "we have [performance] scores around recruitment, assessment, engagement, diversity...making the senior leadership team accountable." He believes "this is what it takes" to effectively implement the people strategy.

Each organisation we studied has tailored their HR programmes to meet their company's growth strategy in Asia. Successful companies have seen their efforts pay big dividends, particularly in the form of enhanced employee engagement, a critical ingredient in high performance.

There is no doubt that an organisation that takes its people very seriously, nurturing and facilitating individual contributions across organisational levels, cultures and countries will reap the benefits. There must be a focus on developing, advocating and executing the actions that will build strong global mindsets at the individual, leadership and organisational level. This is not a 'nice to have' but a 'must have' for competitive advantage in Asia.

So, who's taking your business across Asia?

## About the Authors

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## About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance businesses and governments. With deep industry and business process expertise, broad global resources and a proven track record, Accenture can mobilize the right people, skills and technologies to help clients improve their performance. With more than 190,000 people in more than 120 countries, the company generated net revenues of US\$21.58 billion for the fiscal year ended Aug. 31, 2009. Its home page is **[www.accenture.com](http://www.accenture.com)**.

## About Accenture Management Consulting Innovation Center

The Management Consulting Innovation Center brings Accenture's thought-leadership and ideas to life through highly interactive and facilitated workshop experiences that help organizations explore solutions and develop a course of action for their most important business issues that will differentiate high performers from their peers. The Center also serves as a research hub where industry experts debate, develop and publish insights with specific relevance to the Asia Pacific region to help organizations innovate and outperform their competition.

## About Talent & Organization Performance

The Accenture Talent & Organization Performance service line provides solutions that enable clients to improve the performance of their people, their organisation and their business. This group of skilled professionals has extensive experience across a range of talent, organisation, human resources, change management, analytics, learning and collaboration capabilities. Backed by a comprehensive research program, global resources, and unparalleled tools and assets, Accenture collaborates with clients to multiply their workforce talent and organisational capabilities into a strategic force that can drive high performance. For more information, visit **[www.accenture.com](http://www.accenture.com)**.

## About Singapore Human Capital Summit

The Singapore Human Capital Summit is Asia's premier conference on developing and engaging human capital and leadership talent, organised by the Singapore Ministry of Manpower and Workforce Development Agency. The Summit collaborates with leading research centres and corporations to develop insights on human capital trends in and people strategies for Asia. For the full reports of the Summit's Research on Asia programme, refer to **[www.singaporehcs Summit.com](http://www.singaporehcs Summit.com)**.

## About the Institute for High Performance

The Accenture Institute for High Performance creates strategic insights into key management issues and macroeconomic and political trends through original research and analysis. Its management researchers combine world-class reputations with Accenture's extensive consulting, technology and outsourcing experience to conduct innovative research and analysis into how organisations become and remain high-performance businesses.

## Notes

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