



# Making the most of the ‘Asian Century’

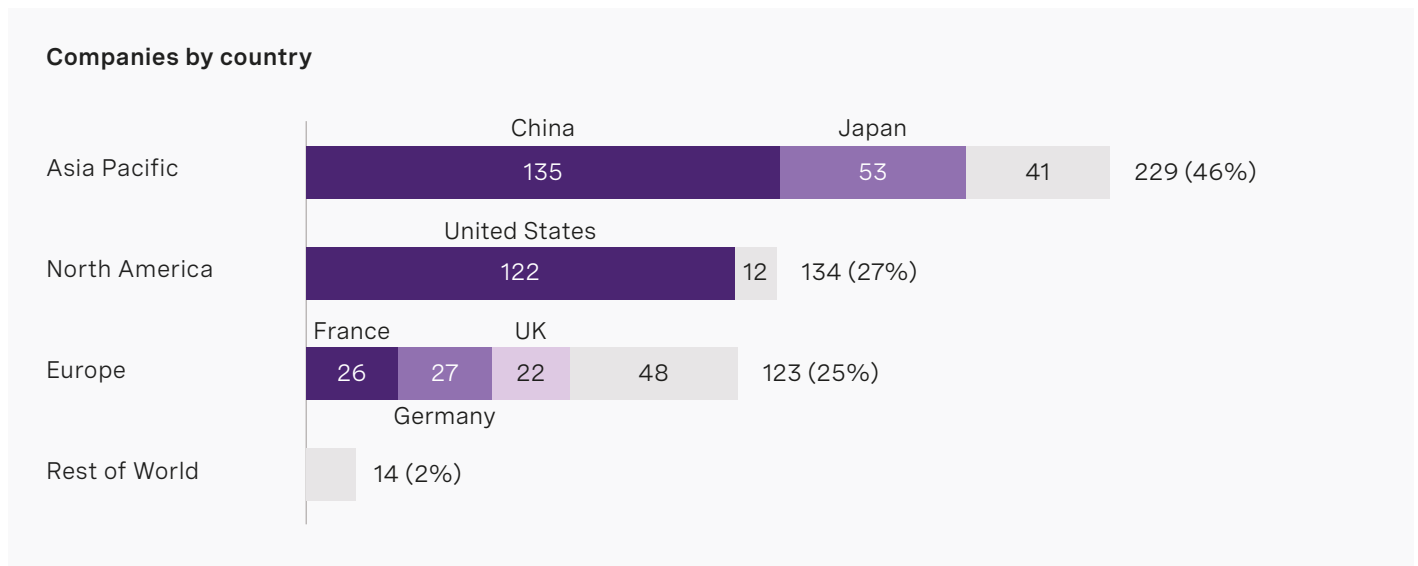
Understanding the complexity of Asia is key for sustainable long-term growth



To be successful and create a profitable business in Asia, organizations need to think long term and beyond China. They need to be committed to understanding the nuances across this complex grouping of very different countries and markets. Focusing solely on what has made Western organizations successful will not be enough. To ensure Asian businesses thrive will require a shift in mindset and a rethink in business operating models.

The 'Asian Century' is upon us. Asia is now the world's largest and fastest-growing regional economy, on track to top 50 percent of global GDP by 2040<sup>1</sup>. Currently, 44 percent of international students are Asian, 119 of the world's 235 unicorns are Asian, and 50 percent of growth in consumer consumption over the next decade will be in Asia.

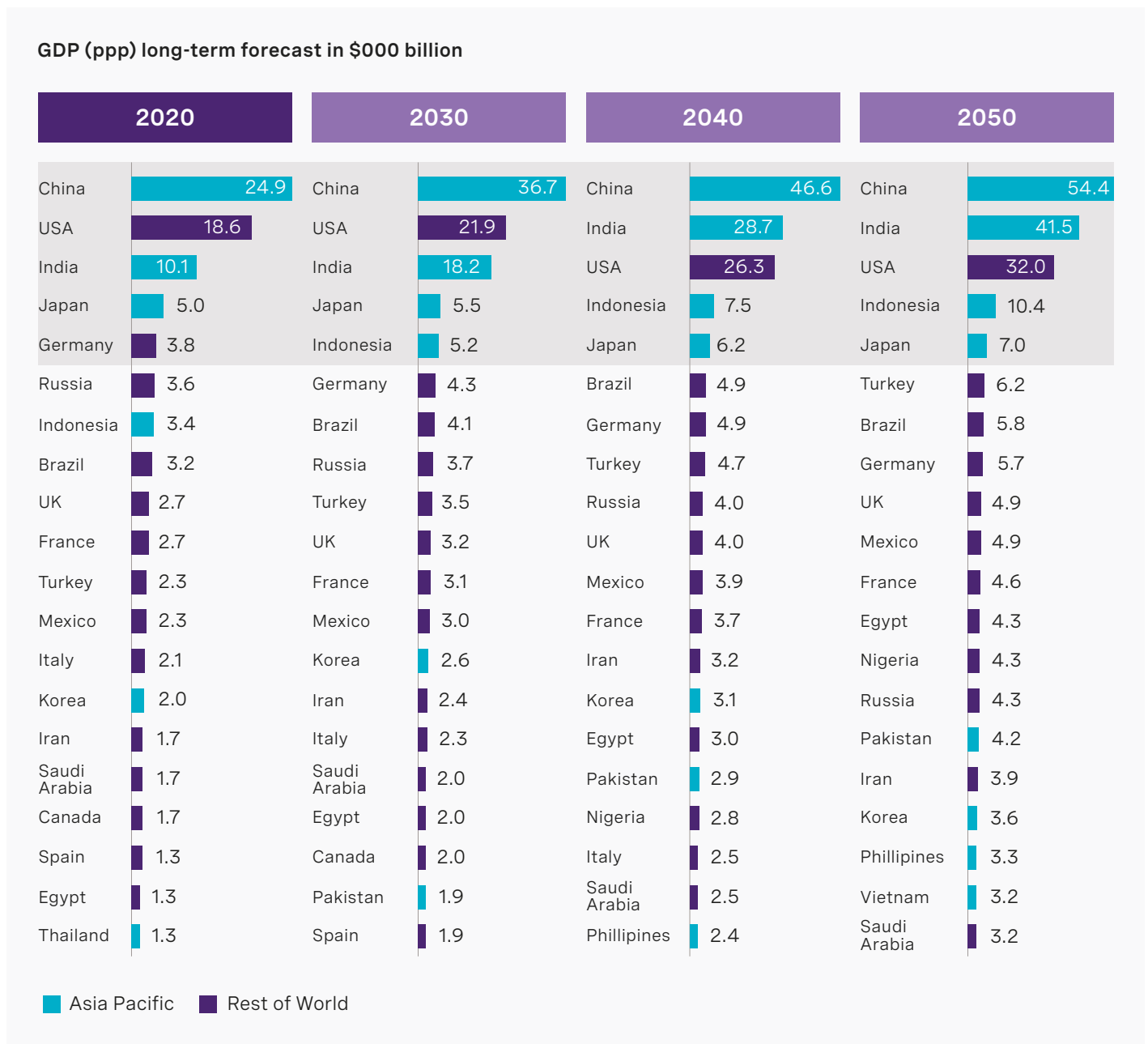
Of the Fortune Global 500<sup>2</sup>, being the 500 largest companies in the world, Asia Pacific already today dominates with over 46% representation, with China now the largest country in the Fortune Global 500:



These staggering statistics have made their way into the boardrooms of corporations worldwide, and many are developing plans to capitalize on the 'Asian Century.' But expanding into Asia is no longer about setting up operations as an 'outpost' to a Western headquartered multinational and running 'business as usual.'

# The Asian market is complex and segmented.

Many organizations have focused their Asian operations around China. However, the growth story in Asia is so much more than China despite it ranking first in global GDP. Asia has most of the fastest-growing economies in the world with India ranked the world's third-largest economy by purchasing power parity (PPP) standards, followed by the ASEAN region, soon to be the world's fourth-largest economy.





These four Asian countries that are to sit within the largest five economies in the world by 2030 are distinctly different to each other, both in terms of culture as well as their business practices. Each country represents different opportunities as their consumer markets, supply chains, technology/innovation, businesses, and talent are varied in their development and potential.

Adding to the complexity of the broader Asia Pacific landscape, it is essential to intimately understand the distinct business climate and uniqueness of each market. As an illustration, China's economy is predominantly driven by state-owned (SOEs) and private-owned enterprises (POEs). India is built upon family-owned businesses, a tradition that continues today. Whereas in Australia, the marketplace evolves around public listed companies. Leaders of these varied business models think and operate differently, which impacts how business is conducted, measured, and performs.

For a successful business model to succeed in these varied markets requires organizations to consider their leadership and risk tolerance. Above all, they must be willing to invest long-term into understanding the different cultures and what it takes to build successful sustainable business relationships.

# Cultural Disconnect: A Historical Barrier to Success in Asia

For more than two centuries, Western businesses have been doing business in Asia. The typical business model included moving managers from their homeland and “posting” them to China, India, Hong Kong, Singapore, Australia, Indonesia, Malaysia, and Japan for brief periods. Leadership often lived in expatriate communities, where they could socialize with other Westerners.

While this model has been successful for some, it is also rife with challenges. Relationships in Asia are traditionally built on trust and loyalty, qualities that take time and humility to develop. But pressure from head office to deliver ROI often took precedent over long-term investments to build lasting relationships. As a result, these Western companies ended up driving Asian markets from afar instead of growing local leaders to develop and lead their own markets.

As varied and as complex as these markets may be, there are several common core strategies that can be implemented for success:

## **Put Boots on the Ground**

To truly understand the complexities of these distinct Asian markets, companies need to invest time and talent into educating people who will suitably represent their interests abroad. The first step is to be present. We have seen time and again, leaders of Asian-owned enterprises are very willing to visit countries outside their region to learn the languages and culture, all while practicing humility, which is a trait that helps foster the strong relationships necessary to succeed. This ‘boots on the ground’ approach is paying off. Asian companies have been quick to establish themselves in emerging markets including Africa and the Middle East. Being physically present and open to playing student rather than teacher is the way Western organizations can accelerate their growth in Asia.

## **Cultivate resilient, adaptable leaders**

Western leadership often arrives in Asia with the mindset that business will be conducted as usual, aside from a few cultural customs thrown in to show respect. To be truly successful, leaders need to think and operate differently in developing business relationships in the specific and separate Asian markets. Understanding that relationship building in Japan is totally different to India, for example, requires leaders who can acknowledge, learn, and thrive in these individual markets.

Leaders who are resilient and demonstrate the ability to quickly adapt are key. Choosing leaders who bring an authentic curiosity about a country will contribute to building lasting trust and loyalty that cannot be built through superficial gestures. Leaders who are genuinely interested and eager to learn reveal the respect that lays the groundwork for building long-term business relationships.

## **Set realistic expectations for ROI**

CEOs of companies doing business – or setting up business in Asian markets – are under pressure to demonstrate a measurable return on investment. This pressure can be immense when running one or multiple operations in this very complex and segmented marketplace. The greatest challenge, particularly for tomorrow’s CEOs, will be in setting realistic expectations for each Asian market segment. Building relationships and businesses in Asia takes time, sometimes decades. With knowledge and understanding of the complexity of doing business in these markets, CEOs can guide organizations and their Boards to realistic expectations regarding when the investment will pay off.



As organizations plan their expansion into Asia or rethink their footprint across such a complex region, CEO's and Boards should consider the following questions:

- 1. How dependent is our organization on Asia now? Will this change in the future?
- 2. Are we ready to invest in long-term education to fully understand the distinct market segments?
- 3. What is our knowledge of Asia? Do we have experts on the Board? Do we have "real" Asia experience?
- 4. How does the massive growth in APAC impact our global businesses located elsewhere? Do we need to move our headquarters in response to this growth?
- 5. How does the growth of APAC impact our talent and leadership strategy? Will we hire in country? Will we export leadership and talent to Asia?

In this Asian Century, organizations that are ready to truly understand the varied segments of these vast markets will find real opportunities to succeed in this next world economy. Developing empathetic and authentic leaders who want to study, learn, and embrace the cultural and business nuances of each market will find Asia open, welcoming, and profitable.

# Author

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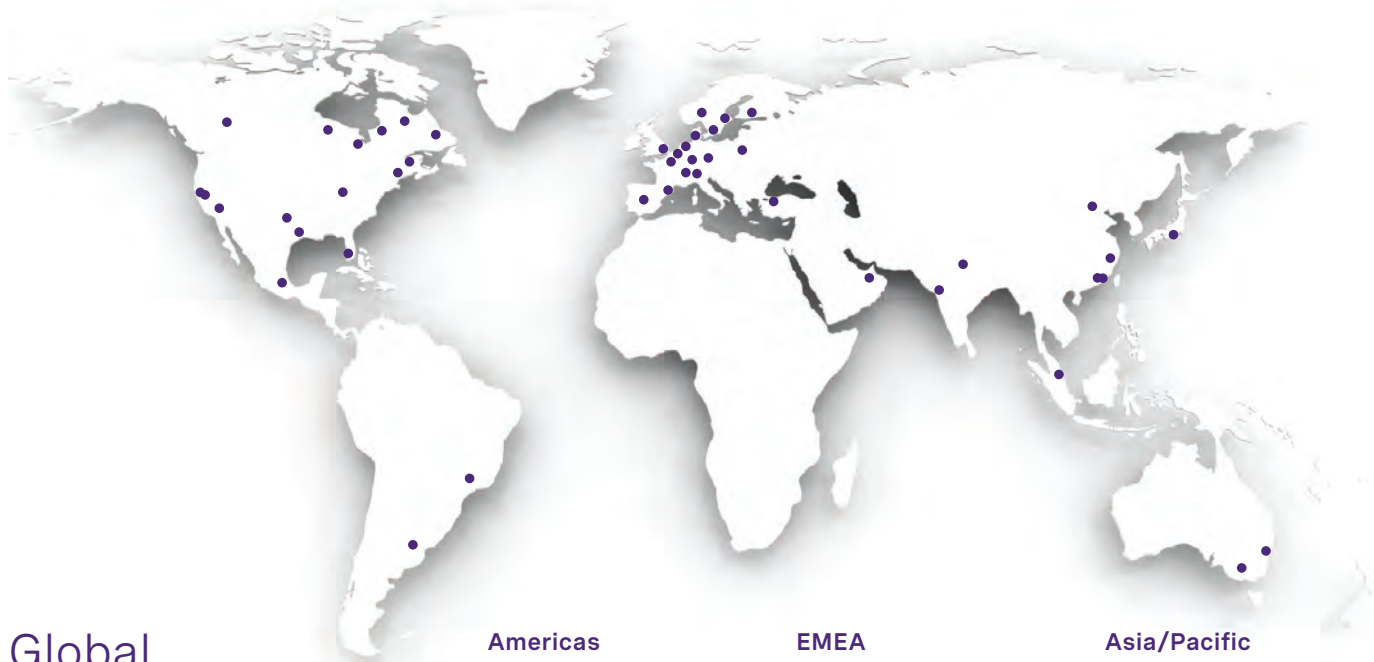
## References

1. McKinsey (2019) "Asia's future is now" <https://www.mckinsey.com/featured-insights/asia-pacific/asias-future-is-now>
2. Global Fortune 500 (2021) [Fortune Global 500 2021 | Full list of rankings | Fortune](#)

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