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Empowerment and Trust as a Regional Leader

Regional leaders need the autonomy to respond rapidly to changes in their local market. **Emma Carroll** explores where this works well and what can go wrong

Successful global businesses need to make the most of the functional expertise they have at their centre while empowering those with local knowledge to act with agility. A matrix structure is frequently the go-to solution, but without clear accountability and transparency things soon fall apart.

In Research conducted at Criticaleye's Asia Leadership Retreat 2019, attendees said the two biggest challenges they face are multiple reporting lines and a lack of empowerment from HQ. We spoke to experienced regional leaders to find out how they have achieved clarity around priorities, accountability and authority.

During his career, **Ray Ferguson**, Non-executive Chair of Singapore Life and a Criticaleye Board Mentor, has experienced first-hand how a convoluted structure can hold back a business. He has seen multiple reporting lines going down two or three levels into an organisation. "A regional CEO would have a team of 10 people, all of whom would have a reporting line to somebody else, and then underneath them were another 10 guys, of which maybe half would have additional reporting lines," he says.

"There were so many people involved in the decision chain, that to innovate or go in a new direction became very complicated. This caused friction, because people wanted to be competitive, market-facing and quick to respond to technology and customers."

Lack of empowerment can also have severe commercial consequences. **Ray** relates one banking example where regional heads felt their remit was largely limited to governance and control:

"If there's stuff coming over the horizon, you need to be upfront with HQ about it"

"Many country chief executives felt that they had no responsibility for the P&L and were not really accountable for running the business or developing new opportunities with clients."

Equally, those at the centre "didn't believe that regional leaders had any real role in helping to develop the business, which was sad because these are the people that often have a big persona in the business community".

A matrix structure is often blamed for organisational complexity, but **Benny H Goh**, Board Advisor to Taqtik Health and another Criticaleye Board Mentor, says it needn't be a barrier to success and robust control processes are there for a reason: "Increased oversight from HQ comes about in many companies in response to financial issues or fraud. We shouldn't do away with matrix structures, as anyone given absolute authority can be very dangerous," he says.

"It's not about changing the structure; it's about changing where the 'centre of gravity' lies. If it lies in HQ it is impossible for someone 8,000 miles away to understand what is happening in Korea, China or Malaysia," **Benny** explains.

He relates an experience from his executive career: "While corporate oversight is required, the centre of gravity needed to be [in Asia]: HQ needed to have trust in me as President to make the right decisions that were good for the company, while complying with procedures like delegation of authority.

"As the Asia leader, I really knew the strengths and weaknesses of my general managers in different countries, and so I was best placed to make decisions on approval requests. If you have to go back to HQ, then they may ask many more questions, and often come back with more queries, because they do not understand the culture and different regulatory requirements around things like custom duties and purchasing habits."

Benny explains that he had to earn trust from the global centre: "I spent many hours educating those back at HQ – including the business unit heads and the CEO – to help them understand the complexities of Asia.

"I did this on a weekly basis by phone, Skype and often when they visited Asia – for example we'd take the CEO to meet customers and on site visits to projects." >

Lance Little, MD of APAC for Roche Diagnostics, also advocates building strong relationships: "For me, it still comes down to building trust with the stakeholders. There's a tendency in Asia, where many companies don't have areas like manufacturing or R&D locally, to be more remote from HQ conversations. As regional leaders, it's up to us to stay engaged and connected to those groups."

Culture and Clarity

No structure will work if the people within in it, and culture supporting it, aren't right. **Jamie Wilson**, Managing Director for Group Services at Criticaleye, says: "For the second year in a row, business leaders in Asia tell us that a shortage of skills and talent is the biggest threat to growth in the region.

"To attract and retain talented people, who will drive your business forward and be leaders of the future, you need to invest in their development and create a culture of empowerment."

FINDINGS FROM CRITICALEYE'S ASIA LEADERSHIP RETREAT RESEARCH:

- 38 percent of executives in Asia admit to having no clear and effective regional growth strategy
- A shortage of skills and talent remains the number one threat to growth for leaders in the region
- 89 percent of leaders in Asia are facing business model disruption
- 54 percent of leaders in Asia report feeling isolated in their role

To read the full Asia Leadership Research report 2019, click here.

> *"It's about changing where the 'centre of gravity' lies"*

Lance agrees that corporate culture is crucial to success, characterising it at Roche Diagnostics as "a very personal one". "I get a lot of leeway and trust, that's inherently the way the business likes to work; we try to drive decision making to the lowest points within the organisation. I wouldn't suggest we're perfect at it, but we try."

He explains that this environment also frees people up to innovate, which comes with huge opportunities but its own risks. "We're also building a culture of experimentation. We're willing as an organisation to place some bets where we know it may be a 50/50 shot.

"It's managing the unknown as a regional head that is the most important dynamic. If there's stuff coming over the horizon, you need to be upfront with HQ about it and articulate what you are doing to mitigate that risk," **Lance** says.

For things to run smoothly, there also needs to be clarity about accountabilities between the centre and regional leaders. **Ray** explains: "The messaging from the CEO, at the top of the business, around the structure and how it is meant to be run needs to be very clearly articulated."

And if regional leaders are "working with the right set of objectives, the right compensation systems and the right organisational paradigms then it's unlikely that mistakes will get made in terms of risk".

He continues: "The modern world demands we get global alignment at the same time as acting very locally within the environment we're operating in. If the people in the top team are working together, drawing on the best of both worlds, then I think risks will get managed." ■

Catch up with Part 4 of our podcast, Leadership in Uncertain Times, with Criticaleye CEO Matthew Blagg discussing what lies ahead for CEOs and senior executives.

Featuring Commentary From:

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