



CRITICALEYE

# Winning Strategies for Asia

*The Criticleye Asia Leadership Retreat, in association with CEIBS,  
focused on why a long-term, sustainable strategy is needed to take  
full advantage of the growth in Asia*



In Association with



The scale and pace at which markets across Asia are growing can leave you breathless. For both indigenous and foreign corporates, the pressure is on to move fast in Asia, whether it's responding to urbanisation, creating new technology or simply meeting customer demand. It all presents a rigorous test for executive teams as they are expected to devise winning strategies in a complex, competitive landscape where talent is in short supply.

These were some of the key themes to emerge from the [Criticaleye Asia Leadership Retreat](#), held in partnership with China Europe International Business School (CEIBS). Over the course of 24-hours, attendees gathered in Hong Kong to share ideas on innovation, sustainability, talent and what the rise of China's private enterprises means for multinational corporations (MNCs).

**Hellmut Schütte**, Vice-President and Dean of CEIBS, observed: "Perhaps the golden age in China is over for foreign MNCs. Everyone is here now, labour costs keep rising, and China's own MNCs are making enormous progress."

Aside from the emergence of international powerhouses like e-commerce conglomerate Alibaba and telecom equipment and smartphone maker Huawei, competition was described as particularly acute in China's third and fourth tier cities, where an increasing number of home-grown private enterprises are capitalising on local market knowledge.

"China still presents significant opportunities for MNCs but it's now a lot harder to realise," said **Stephen Mercer**, Partner in Charge of Multinational Clients at KPMG.

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"You have to understand what segment of the market you are dealing with as they can be so different. If you were operating in Europe, you wouldn't replicate your market entry strategy for each country or market and China [is] the same. Unless you are clear about what you are trying to achieve, it will be very difficult to succeed."

For those companies that do get it right, China's \$9.2 trillion economy provides plenty of openings and areas for growth. **Hellmut** said: "If China 'only' continues to grow its GDP by 7 per cent over the next ten years, it will still almost double the size of its economy. If you combine [Brazil, Russia, India and South Africa] ... and the next ten emerging markets, all together they add up to the size of China's economy today. This is very much in the mind of China's Government when it deals with the outside world."

The ability to bring new products to market rapidly was generally agreed to be a significant differentiator for successful businesses. **George Yip**, Professor of Management and Co-Director of the Centre on China Innovation at CEIBS, said: "Chinese

companies have a deep understanding of the customer – [they take] a pragmatic, profitable and customer oriented approach to innovation... Western companies can be too slow because there are too many processes in place."

**Sujit Chatterjee**, President and CEO of TATA Consultancy Services China, said that "innovation, as it was understood in the Western world, was for a long period about creating new markets, but, as we see in Asia, especially China, innovation is about capturing markets".

Companies have to be capable of adjusting to the characteristics of a rapidly changing and geographically diverse country. "Each year, Western companies set-up more R&D centres in China than in any other country in the world, including the US," **George** added. "Western companies have an appreciation for Chinese methods of innovation; they are eager to learn how to innovate faster."

## A LONG-TERM VIEW

If businesses are to continue to take advantage of the consumer appetite for goods and services, attendees agreed that it needs to be done in a sustainable fashion.

**Peter Wong**, President of Dow Chemical Greater China, said: "Sustainability is very much part of our strategy in terms of driving business growth. For example, in China we are looking at a few of the issues the Government is focusing on, such as food security and safety.

"If we bring our capabilities together, we believe that we'll be able to find a solution that is going to help the Government tackle some of these challenges, like food spoilages." ▶

Setting the right strategy and implementing it is key. **Peter Lacy**, Managing Director of Strategy Practice and Sustainability Services for Asia Pac at Accenture, said: “Companies need to be aware of opportunities to improve their approach to sustainability... It needs to be integrated into organisational design so that support functions are created to incentivise people, so they

want to make improvements. That’s as true here in Asia and China as it is elsewhere in the world.”

The challenge is to create alignment across the whole organisation. “At Dow in China, I’ve been trying to build a cross-collaboration model,” said **Peter Wong**. “It’s been about looking at what the issues are and seeing how people can jump beyond their own boundaries. Hopefully they’re thinking about how we can better collaborate, utilising the R&D lab to [address] the issues we have – if you don’t even understand your true capability, you can’t really develop an innovative mindset.”

**Cecilia Ho**, President of International Paper Asia, commented: “There actually has to be a change in mindset around sustainability; you’ve got to accept that if you do not operate sustainably you cannot operate at all. [If you understand that], then you’ll do it because it’s beneficial to the company as well as to the environment...”

“You can do all the communication and internal marketing – and we certainly do – but the most important thing is that employees are convinced that you practice what you preach. So it needs to be driven by the senior leadership team.”

According to **Peter Lacy**, thinking sustainably can be a real driver for innovation: “At the moment a lot of the focus in Singapore, India, China and Japan is on urbanisation and smart technologies and how they can be used to better manage energy and transport systems. There is a ‘digital revolution’ taking place, and we are really only just beginning to see the power of connected physical and digital infrastructure in

“A lot of new markets will emerge due to the Internet of Things”

areas like cloud computing, mobile tech [and the] Internet of Things (IoT).

“This is clearly a strong business imperative, but it’s also a sustainability benefit... Companies in China especially are using things like smart-metering and smart-grids to drive energy efficiency per unit of GDP”

**Matthew Smith**, Global Head of Market Development for the Internet of Things at Cisco Systems, estimates that over the next ten years the connectivity of devices will create profits and cost savings of approximately \$19 trillion. “People are not afraid to fail in China and that type of attitude is going to be really beneficial in this kind of economy,” he said.

The impact of the IoT will be felt in multiple sectors, from retail and healthcare to life insurance and, of course, energy. **Matthew** continues: “Texting went from zero to \$300 billion in about six years. Thanks to WhatsApp and We Chat, it’s gone back to zero again – the point is a lot of new markets will emerge due to the Internet of Things.”

If technology is unlocking new business models, and globalisation creates a more competitive environment, what kind of skills-mix is required to come out ▶

### Tweets from Asia Leadership Retreat 2014

#Western companies can be too slow because there are too many processes in place. #China’s consumers want a fast response

#Sustainability needs to be visible; it needs to be driven by the executive team – #leaders should practice what they preach

There is no one-size-fits-all-approach in terms of finding a solution to the challenges posed by managing talent in #Asia

Across ASEAN, there is still a long way to go with #digital. In India, for example, there is only 6% broadband penetration

The #internet is being rebuilt for the #Asian market on mobile devices. It’s no longer all about desktop content

on top? Even for those companies that have a theoretical answer to this question, the reality of identifying and keeping the right people continues to be tough.

In the marketing industry, for instance, digital is having a seismic impact on the way customers behave and this requires a different set of skills. **Chris Riquier**, CEO for Asia Pacific at Taylor Nelson Sofres, said: “As marketers, we’re not investing sensibly and we’re not recognising the ROI today. We’re also ignoring new platforms, which means we don’t have the skills and expertise in the business.”

The quality of graduates, particularly in China, was also discussed. **Hellmut** questioned whether the country’s education system, with its emphasis on hierarchy and rote-learning, was preparing the younger generation for the dynamism and innovative thinking required for the modern workplace. “Ten years ago there were one million graduates, whereas today you have 7.5 million and the number of universities and colleges has doubled during the same period,” he said.

“There has been tremendous growth but there is the problem of young people coming into the job market and being unable to find employment. At the same time, you have companies crying out for people. As companies must innovate in order to compete, it is not easy to find the talent you need when they come from this rules-based background.”

In order to overcome the shortfalls in talent, companies were encouraged to start looking regionally to bring in people of the right calibre. **Michael Guo**, Partner of Human Capital and Change Management Advisory for Greater China

at EY, said: “Businesses are increasingly connected. Ten years ago the prime movers in Asia were China, India and Indonesia...”

“Now... there are so many different countries where different solutions are required, and for that you need a diverse range of talent, especially for your senior leadership team.”

## GLOBAL LEADERSHIP

When discussing ‘Asia’, it’s important to remember the distinct national and cultural differences. Each country and region will present its own idiosyncrasies in terms of doing business, from how relationships are built, bureaucracy navigated and the regulatory environment understood. Nevertheless, the Retreat demonstrated there are questions being asked of senior leadership teams in Asia that will resonate internationally.

**Andrew Minton**, Executive Director at Criticaleye, said: “Whether leaders are confronting issues around sustainability, talent or digital transformation, they must be able to... see the bigger picture in order to shape their own strategy.

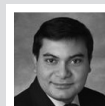
“That’s why, regardless of geography or culture, and irrespective of industry or function, there is an overwhelming need for leaders to step out of the day-to-day if they’re to combat complexity successfully.”

Executives need to be prepared to reflect, collaborate and benchmark with others. Trying to establish strategic clarity in isolation is no longer an option. ■

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Find out more about the 2014 Criticaleye Asia Leadership Retreat [here](#)

### Featuring Commentary From:



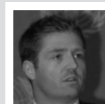
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