



THE C-SUITE MOVES EAST:  
ASIA'S NEW PLACE IN THE CORPORATE WORLD

SpencerStuart



The Asia Pacific region is quickly attaining greater strategic importance for global technology companies. Once a place where corporations were content to field a mid-level sales executive, an R&D branch and a local procurement office, Asia is becoming a hub for very senior executives and even the headquarters of global business units.

Consider these recent actions by leading technology companies: Cisco Systems has established a globalization center in Bangalore and relocated its chief globalization officer, who reports directly to the chairman and chief executive officer, to manage it. The company also is planning to relocate more senior executives to China to implement its latest corporate strategy for the country. IBM has established its procurement headquarters in Shenzhen, the first time the company has placed a key function outside of the United States as it becomes more globally integrated. Fairchild Semiconductor has positioned two direct reports of its CEO in Singapore. And Air Products has moved its \$1 billion-plus Global Electronics division to Asia.

“In the past, the only reasons to focus on Asia were low-cost manufacturing or local sales and marketing,” said Soon Chai Gooi, vice president and general manager of Agilent’s Electronic Instruments Business Unit, headquartered in Malaysia. “Moving business management to Asia is a relatively new thing. At Agilent, we only started doing this about five years ago.”

To learn more about the extent of this trend, Spencer Stuart distributed a survey to C-level executives around the world and received more than 200 responses from general managers, divisional and regional CEOs, and human resources executives. Seventy-eight percent of the respondents work for multinational companies with revenues greater than \$1 billion, and more than 40 percent

work for organizations that have operated in Asia Pacific for at least 15 years. The survey confirmed our observations regarding the region’s growing strategic importance and the talent issues faced by companies expanding their presence there.

#### A key driver of growth

Just 16 percent of respondents to our survey said their companies earn more than 30 percent of their revenue from Asia today. But 40 percent expect Asia to account for at least 30 percent of revenue within three years.

“Based on current growth rates, by 2050 China, India and the U.S. will be the three largest economies in the world,” said Owen Chan, president of Asia Pacific for Cisco. “Our strategic

investment in Asia over the next 10 years will be hugely important as these markets develop.”

For this reason, Cisco has invested heavily in its Asia presence, announcing in 2005 a plan to spend more than \$1 billion over three years to expand its India operations, and in 2007 a \$16 billion investment plan for China.

More and more, operations in Asia Pacific revolve around more than manufacturing. In fact, less than half of respondents said that Asia is important to their company’s cost-reduction initiatives, while more than 80 percent said that the region is very important for driving revenue growth.

“The markets in China and India are so vast that we have to move some of our strategic investment in product development, R&D and marketing to both countries,” said Chan. “It’s an end-to-end solution — it’s not just about sales.”

And while Asia Pacific is still viewed as a low-cost option for manufacturing, when business

functions move to Asia it is done primarily for proximity to customers and suppliers, not to control costs.

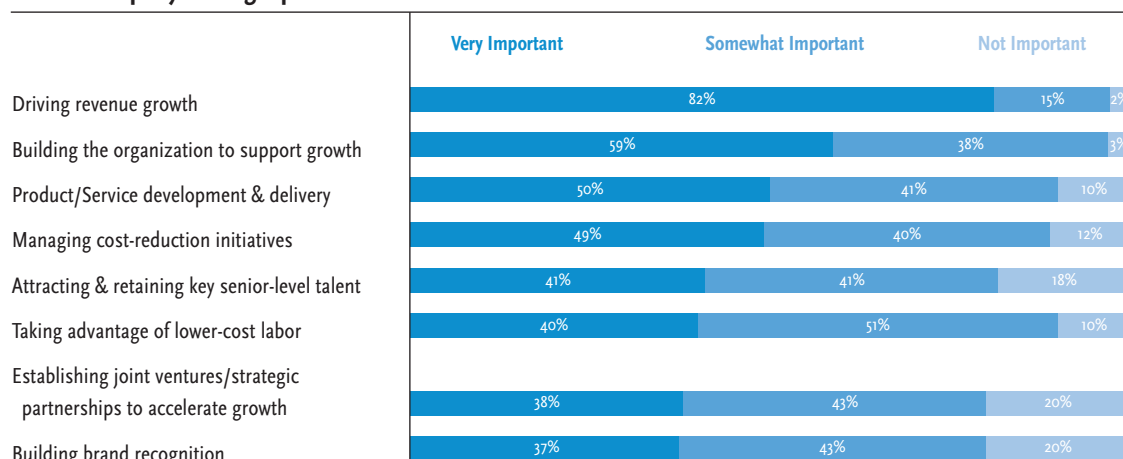
### Improved strategy and execution

Despite the clear opportunity for revenue growth in the Asia Pacific region, many companies are not yet responding effectively to the needs of Asian customers. Meeting those needs is especially difficult when the decision makers are 8,000 miles away.

“The companies that have been successful in China don’t look at it as a place to parachute in products that were designed elsewhere,” said Chan. “They create products specifically for the China market — some of which aren’t available anywhere else.”

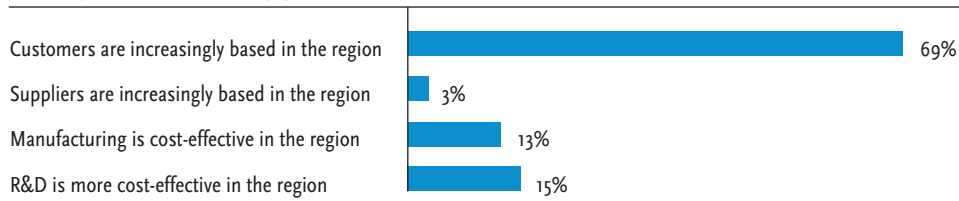
Not surprisingly, companies are finding that having a senior executive on the ground helps them better address the Asian market. “Having the strategy for Asia created by people from headquarters who fly in for a few weeks just doesn’t work

### Global company strategic priorities in Asia Pacific\*



\*Totals may not equal 100% due to rounding.

## Primary driver for moving global business units to Asia



any more,” said Gooi. “I have teams in the U.S. and in Europe that report to me. But my biggest team is here in Asia — this is where the market for my products is growing the most.”

In addition to its rapidly developing consumer markets, Asia Pacific’s dominance in some manufacturing sectors has lured companies that serve those industries to establish headquarters in the region. Such was the case with Air Products’ Global Electronics unit.

“Asia accounts for the largest proportion of our worldwide electronics sales and marketing income, but our ‘hit rate’ for winning new business in Asia was not as high as that in North America and Europe,” said Corning Painter, vice president and general manager of Global Electronics for Air Products.

So the company moved the unit’s headquarters to Taiwan. “The center of the business we serve has moved here, so we have shifted our focus, too. We wanted to reach a point where if a factory was opening, we’d hope it would be in Asia. We need to be close to our customers to achieve speed, efficiency and a better understanding of their needs. This move is a commitment to both our customers and our employees.”

Placing a very senior executive locally can, for some companies, lead to increases in operational efficiency for groups that do not even directly report to the executive. “I see myself as a mentor to the team in Asia,” said Gooi. “My role is to make sure that we integrate any gaps between business units and functions.”

In a hierarchy-conscious area, a direct report to the CEO is also a recognized senior contact who can get in to see just about anybody.

### Talent retention

A January 2007 Economist Intelligence Unit Corporate Network Survey of 600 chief executives of multinational companies found that a shortage of qualified staff ranked as their biggest concern in China and Southeast Asia. Moving global functions and business units to Asia can help companies attract, retain and develop better talent in the region, over both the short and long term.

Companies with direct reports to the CEO in the region are at a distinct advantage since they can offer a potentially more promising career path. “Some companies get on the ex-pat treadmill and they stay on the ex-pat treadmill,” said John Paterson, chief procurement officer for IBM, who heads the company’s global procurement operations from Shenzhen. “But if you think that your

career will cap out because all of the senior jobs will go to ex-pats, there's much less motivation to stay around."

Having decision makers in the region also gives local employees the opportunity to assume greater responsibility — and companies a chance to better develop local talent. "We've seen the development of our own people accelerate," said Paterson. "Eighteen months ago we had only one very senior local Asian procurement employee. We've now got four that are local. By the end of this year we should have seven, and we haven't lost any key talent in 18 months."

Asian employees offer the advantage of a much stronger understanding of the local market, but

that alone is not enough. "Many companies try to nurture senior executives in Asia," said Gooi. "While that is key, we also want to groom indigenous executives who understand Asia and have a global view in order to run a global business unit. In my case, I was fortunate to work many places internationally before assuming this role."

In fact, international experience can be just as important for Asian employees as it is for their stateside counterparts. "We started moving global jobs out here several years ago," said Painter. "To prepare for that, we sent a number of Asians to the States, and when they came back, they assumed global roles. It's been a big retention benefit for us."

## EX-PAT IMPACT

Many respondents to our survey of more than 200 C-level executives commented on the difficulties their companies have faced when relocating senior leaders to Asia Pacific. These challenges included:

- > Serious personal and family adjustments, including the impact of language barriers on spouses' careers and children's schooling
- > The high costs of relocating employees, from the premium packages necessary to motivate relocation to the escalating cost of living abroad
- > Human resource challenges that include gaining permits to work, finding talent with prior regional experience, repatriating ex-pats into worthwhile roles when the assignment ends and losing a large investment when ex-pat talent leaves Asia for personal reasons
- > Business difficulties such as a lack of acceptance of U.S. managers by local employees, overcoming differences in regional deal structure "norms" and dealing with local government regulations and bureaucracy

Overall, respondents viewed the development and hiring of local management talent as the best long-term solution to these issues.

*“Since we made a visible commitment by moving our headquarters here and investing serious time, energy and money with suppliers, we’ve seen the acceleration of their willingness and readiness to support us on a truly global basis.”*

*— John Paterson, chief procurement officer, IBM*

In part because of recruiting challenges, it does not always make sense to go to the location that everyone else is choosing. For example, Fairchild Semiconductor, which makes three-quarters of its sales in Asia, chose Singapore and Korea over booming Shanghai.

“Many companies were moving their regional or corporate assets into Shanghai, which made it extraordinarily competitive and a difficult place to recruit,” said Kevin London, Fairchild’s senior vice president of human resources. “Conversely, the movement of factories out of Penang and into China has freed up a tremendously capable workforce that our existing Penang factories can now take advantage of.”

### **A mutual commitment**

A strong local presence inspires loyalty from more than just employees: When a company moves a global business unit to the region, customers and vendors recognize its long-term dedication to the region and are more likely to commit in return. “Since we made a visible commitment by moving our headquarters here and investing serious time, energy and money with suppliers, we’ve seen the acceleration of their willingness and readiness to support us on a truly global basis,” said Paterson. “This is critical as IBM transforms into a globally integrated enterprise, doing business where it makes sense based on costs, economies and skills.”

Some corporations, such as Cisco, are even teaming up with governmental and educational institutions to prepare the next generation of workers.

“China has a large number of university graduates every year, but this doesn’t necessarily mean that they are job-ready,” said Chan. “We’re working with educational institutions to set up 300 more networking academies in China. Students who attend them will get networking training and be prepared for CCNA certification so that they’ll be ready for IT jobs when they graduate.”

### **Becoming Asian**

Headquartering in Asia additionally can enable companies to become more Asian in their thinking — not that all Asians think alike. “It’s definitely not one-size-fits-all,” said Chan. “Even in China alone, market maturity and customer priority vary from coastal provinces to inland provinces. We need to adopt unique approaches to maximize customer relevance.”

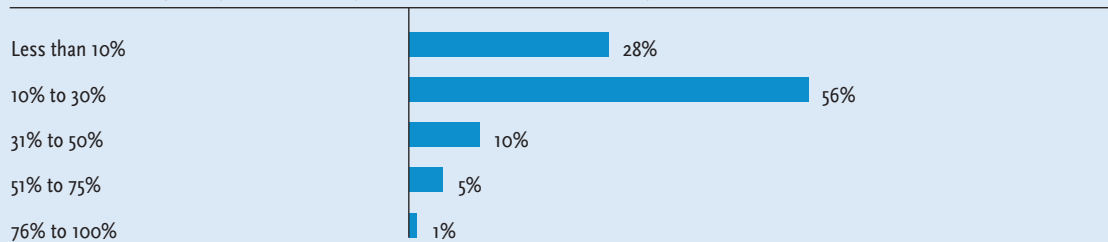
The transition can be easier in some places than in others. “Countries like Singapore and Malaysia have an advantage,” said Gooi. “The environment is very multiracial and a gateway to different nations, so we know both Eastern and Western culture very well.”

Whatever the locale, it can take a long time to adjust, a fact some ex-pats do not fully realize in advance. “I’m committed to keeping procurement here for the long term, not for just a year or two,

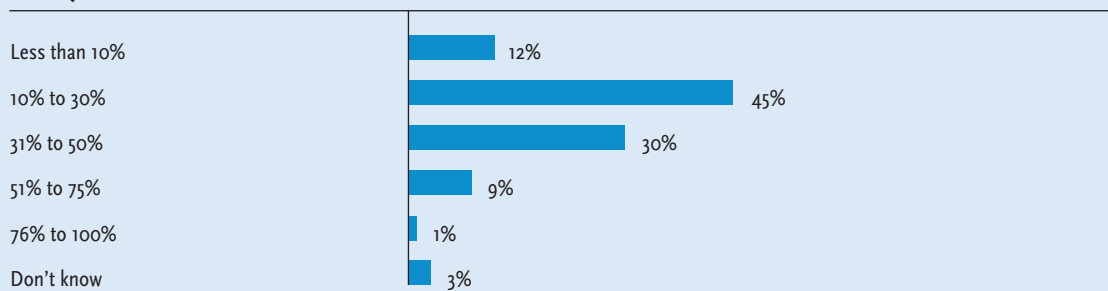
and I think that you absolutely need people who are 100 percent committed to making that move,” said Paterson. “You have to recognize the real cultural differences that exist around the globe.”

## ASIA PACIFIC SURVEY SNAPSHOT

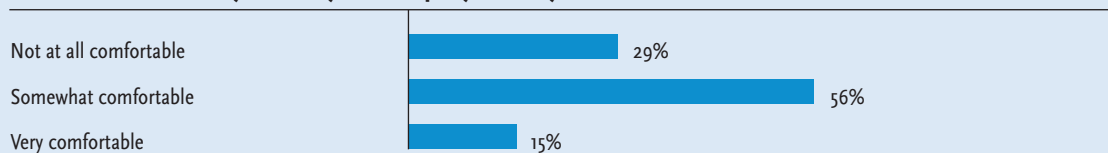
### What percentage of your company’s annual revenues currently comes from Asia Pacific?



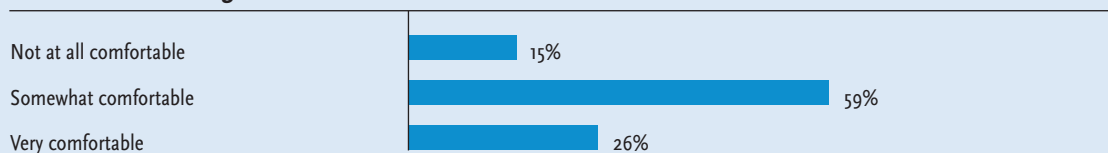
### What percentage of your company’s annual revenues do you anticipate will come from Asia Pacific in three years?



### How comfortable are you with your company’s ability to recruit senior leaders from within Asia Pacific?



### How comfortable are you with your company’s ability to move experienced internal executives to Asia Pacific from other regions?





*“There is a window right now for companies who get in and offer really meaningful positions to get some really top-notch talent. It’s a window that will close in a couple of years. If we had to do it all over again, we would have done it sooner.”*

— Kevin London, senior VP of human resources, Fairchild Semiconductor

Transplants also can be surprised by the East’s sometimes profoundly different approach to business strategy. “The Western companies we work with calculate the value of uptime and demand greater redundancy,” said Painter. “Asian customers say, ‘the price of my product decreased 50 percent last year, uptime means less as my product price drops. I don’t need that insurance — I want a cheaper unit price. I want to be the last one making money when no one else is.’ They care about capital return too, but they think about it differently.”

### **A narrow window of opportunity**

One thing is clear: placing senior leadership in Asia Pacific offers a competitive advantage for many companies. The region is too complex, is changing too fast and has too much potential to manage from a distant headquarters.

“Since the Asia market is so different in terms of cultural differences and requirements, we used to spend a lot of time arguing over what Asian customers really want and what the market is doing,” said Painter. “Now, with the decision makers in Asia, we understand immediately and just get on with doing it.”

But that does not mean it makes sense to move to Asia because it’s a trend. And it does not make sense to move a business function to Asia for cost reasons, executives said.

“It hasn’t been a cost play,” said London. “While we have achieved cost savings, they have mostly been minor, but that wasn’t the first reason to do it. The reason was to move closer to our customers and to our employees who are making those decisions, and to respond more effectively and rapidly to the market.”

For those companies that see their future growth coming from the economies of China and India, putting a wide array of resources under a senior leader in those markets may be a necessity. Developing truly global suppliers in Asia might require placing the leadership of the procurement organization right there beside them. And if the customers have moved to Asia, the organizations that design, build and sell products to them must be there too.

As a result, companies dedicated to succeeding in Asia may need to fundamentally change the structure of their organizations. Those unprepared to seize the moment may find themselves at a competitive disadvantage in the region.

“There is a window right now for companies who get in and offer really meaningful positions to get some really top-notch talent,” said London. “It’s a window that will close in a couple of years. If we had to do it all over again, we would have done it sooner.”

## ABOUT SPENCER STUART

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 52 offices in 27 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

Spencer Stuart has maintained a presence in Asia Pacific for more than 35 years. The firm established an office in Sydney in 1970 and, since then, has opened offices in Beijing, Hong Kong, Melbourne, Mumbai, Shanghai, Singapore and Tokyo. From these locations, Spencer Stuart consultants execute assignments across the region, including China, India, Indonesia, Japan, Malaysia, the Philippines, Thailand, Taiwan and Vietnam, for clients in a broad range of industries. Within the past year, the firm has conducted more than 600 assignments in Asia, including nearly 100 senior-level assignments within the technology, communications and media industries.

## TECHNOLOGY, COMMUNICATIONS & MEDIA PRACTICE

Spencer Stuart's global Technology, Communications & Media Practice, founded in 1982, has helped build the leadership teams and boards of some of the world's preeminent companies. From major multinationals to medium-sized companies to startups to venture capital firms, our clients rely on us not only to deliver outstanding results, but also to operate with the flexibility needed to navigate in rapidly changing market conditions. Each year the practice conducts more than 1,000 senior-level executive search and board director assignments worldwide.

## SPENCER STUART OFFICE LOCATIONS

<b>Amsterdam</b> 31 (0) 20.305.73.05	<b>Hong Kong</b> 852.2521.8373	<b>Munich</b> 49 (0) 89.45.55.53.0	<b>Sydney</b> 61.2.9240.0100
<b>Atlanta</b> 1.404.504.4400	<b>Houston</b> 1.713.225.1621	<b>New York</b> 1.212.336.0200	<b>Tokyo</b> 81.3.3238.8901
<b>Barcelona</b> 34.93.487.23.36	<b>Johannesburg</b> 27 (0) 11 707.9460	<b>Orange County</b> 1.949.930.8000	<b>Toronto</b> 1.416.361.0311
<b>Beijing</b> 86.10.6505.1031	<b>Leeds</b> 44 (0) 1937.547700	<b>Paris</b> 33 (0) 1.53.57.81.23	<b>Vienna</b> 43.1.36.88.700.0
<b>Bogota</b> 571.618.2488	<b>London</b> 44 (0) 20 7298.3333	<b>Philadelphia</b> 1.215.814.1600	<b>Warsaw</b> 48.22.321.02.00
<b>Boston</b> 1.617.531.5731	<b>Los Angeles</b> 1.310.209.0610	<b>Prague</b> 420.221.411.341	<b>Washington, D.C.</b> 1.202.639.8111
<b>Brussels</b> 32.2.732.26.25	<b>Madrid</b> 34.91.745.85.00	<b>Rome</b> 39.06.802071	<b>Zurich</b> 41.44.257.17.17
<b>Budapest</b> 36.1.200.08.50	<b>Manchester</b> 44 (0) 161 499.6700	<b>San Francisco</b> 1.415.495.4141	
<b>Buenos Aires</b> 54.11.4310.9100	<b>Melbourne</b> 61.3.8661.0100	<b>Santiago</b> 56.2.940.2700	
<b>Calgary</b> 1.403.538.8658	<b>Mexico City</b> 52.55.5002.4950	<b>Sao Paulo</b> 55.11.3759.7700	
<b>Chicago</b> 1.312.822.0080	<b>Miami</b> 1.305.443.9911	<b>Shanghai</b> 86 21.2326.2828	
<b>Dallas</b> 1.214.672.5200	<b>Milan</b> 39.02.771251	<b>Silicon Valley</b> 1.650.356.5500	
<b>Dubai</b> 971.4.426.6500	<b>Minneapolis/St. Paul</b> 1.612.313.2000	<b>Singapore</b> 65.6586.1186	
<b>Frankfurt</b> 49 (0) 69.61.09.27.0	<b>Montreal</b> 1.514.288.3377	<b>Stamford</b> 1.203.324.6333	
<b>Geneva</b> 41.22.312.36.38	<b>Mumbai</b> 91.22.6616.1414	<b>Stockholm</b> 46.8.534.801.50	

[www.spencerstuart.com](http://www.spencerstuart.com)

Amsterdam  
Atlanta  
Barcelona  
Beijing  
Bogota  
Boston  
Brussels  
Budapest  
Buenos Aires  
Calgary  
Chicago  
Dallas  
Dubai  
Frankfurt  
Geneva  
Hong Kong  
Houston  
Johannesburg  
Leeds  
London  
Los Angeles  
Madrid  
Manchester  
Melbourne  
Mexico City  
Miami  
Milan  
Minneapolis/St. Paul  
Montreal  
Mumbai  
Munich  
New York  
Orange County  
Paris  
Philadelphia  
Prague  
Rome  
San Francisco  
Santiago  
Sao Paulo  
Shanghai  
Silicon Valley  
Singapore  
Stamford  
Stockholm  
Sydney  
Tokyo  
Toronto  
Vienna  
Warsaw  
Washington, D.C.  
Zurich

SpencerStuart