



Organising for Asia

Hellmut Schütte, Criticaleye Thought Leader and Dean Emeritus of China Europe International Business School (CEIBS), explains why multinationals need to rethink their leadership strategies for Asia

Do Western corporates suffer from a lack of quality leadership in Asia?

While Asia has grown in importance for almost every Western company, many of them are lagging in the sense of having good enough management power in the region. In general terms, if you take a larger company and you have, let's say, 50 top leaders across the organisation, only five to 10 per cent of them would be in Asia.

What's the reason for this?

There are multiple reasons, but one is that many businesses are reluctant to

let power move from headquarters to the regions so it's run out of London, Berlin or wherever.

Does this hamper the ability to seize opportunities?

A strategy exists for development in Asia but there can be a sense that headquarters are constantly interfering and not ready to take risks and capitalise on high growth. Instead, it's obsessed with things like cost-cutting.

When you are in a growth market you are putting the emphasis on expansion, not cost. It's a different

logic and strategic approach and therefore you need to give people in the region more autonomy. At present, a lot of the organisations have an asymmetric structure and the real issue lies in discussing how much power can be delegated to the regional headquarters.

In addition to this, there is challenge on whether a regional headquarters creates a huge administrative burden and another layer of complexity given that decisions are also made in locally-based subsidiaries. That's more of a serious managerial problem that companies are trying to solve. >



How are companies overcoming these challenges?

I've conducted a whole series of studies with different companies. For instance, BASF – the world's largest chemical firm – operates with a four dimensional matrix. For everybody I talk to, such a matrix is a cultural nightmare but at BASF they use it well. The company has introduced something rather unusual, a Deputy CEO, who is based in Hong Kong. They have put very powerful people in the region.

Similarly at Essilor, which is the world's market leader in prescription lenses with around 60 per cent market share, the President and CEO sits in Singapore. It's a French company with 60,000 people but that sends a very clear signal to everybody that it takes Asia seriously.

Energy management company, Schneider, another French business, has 120,000 people and their CEO is based in Hong Kong. Quite a number of companies are now making this transition at the top level. Overall, it's absolutely necessary to have real power and decision-making capabilities in the region.

Should organisations be doing more to develop the leadership capabilities of local talent?

For me, that is a slightly separate question. I believe organisations need to place greater emphasis on allocating their best leaders to the region, rather than the five to 10 per cent I referred to earlier. Whether those leaders are Western or Asian is a secondary question, albeit an important one. When we talk about power, it doesn't matter. What's needed is the best individuals to take on leadership roles in Asia. We always mix this up.

“ There is a challenge whether a regional headquarters creates a huge administrative burden ”

But if there is a scarcity of experienced leaders, wouldn't it be logical to develop local talent?

Of course, yes. But if you look at China, it's exposure to international business is relatively brief and there aren't that many people at a senior level of the type we're discussing. We have lots of 25-year-olds who have been educated abroad but they are not qualified for leadership positions in a top company.

If you look at those aged 50 to 55, you will see there is still a skills shortage. This is exacerbated by the fact that people don't necessarily want to be employed by multinationals. They want to work for local firms or run their own businesses. We have seen this in the past with Japan. Why should you work in an organisation where there is a foreigner who is your boss and you are somehow not really at home, not fully accepted as an equal partner, because you are not a foreigner?

Naturally, there are companies, such as Unilever, with a policy of fostering local talent which is extremely well

established. They have reached a level whereby local managers feel at home in the organisation, but there are not many of those.

Should the real emphasis be on allocating the best people to the most important markets, such as China?

Asia is a key market for multinationals, not only in regards to the percentage of turnover and profit, but also new product development and business models. And this must be reflected in the quality of leadership these organisations have in these regions and their ability to make decisions. ■

Hellmut was a speaker at Criticaleye's Asia Leadership Retreat 2015 in association with Accenture, Cisco Systems and CEIBS. He will also be speaking at a forthcoming Singapore-based Criticaleye Discussion Group on [effective organisational design](#)



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Hellmut was Vice-President and Dean of China Europe International Business School (CEIBS) and, since June 2015 has been Dean Emeritus of the institution. CEIBS is the leading business school in China and is jointly owned by the Government of China and the European Commission. He is particularly interested in the competition and cooperation between emerging market corporations and established Western/Japanese multinationals.

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