

## Taming the Dragon: Unearthing the Undertapped Leadership Gems in the Asian Talent Market

Led by China and India, Asian nations now contribute more than 30 percent of GDP and 40 percent of manufacturing globally. In line with these economic shifts, Chinese businesses are now some of the world's largest companies. The proportion of Asian companies among the Fortune 500 has doubled from 20 percent in 2000 to 42 percent in 2019; China alone contributes 119 firms to the list. Meanwhile, the growth of the middle class in markets such as Singapore, Thailand, Indonesia, Philippines and Vietnam continue to attract investments from multinationals hoping to build a loyal customer base there.

As the economic power and maturity of the region has increased, so has the experience and maturity of the region's leadership talent. There is a rich pool of leaders who are moving into the most senior executive roles, not just in Asia, but also globally. These leaders increasingly are gaining experience outside of their home markets, leading businesses across Asia for Asian and Western multinationals. The war for leading talent in the region is intense as top talent increasingly have attractive choices from both global multinational corporations (MNCs) and fast-growing Asian competitors. The most competitive firms in Asia will not only create compelling opportunities for talent in the region, but will also aggressively seek out emerging sources of talent that are underappreciated today. To better understand trends in leadership talent in the region, we analysed the backgrounds of more than 3,500 executives placed by Spencer Stuart across 18 markets in Asia (excluding Australia/New Zealand) and all major industry sectors from 2013 to the first quarter of 2020. We have compared data from 2013 to 2020 against data from a similar study of executives placed in Asia between



2006 and 2012 to uncover how Asian talent trends have changed. We segmented our placements in the region along two dimensions: individuals' region of origin, which could be either Asia or the West, and the depth of their experience outside their region of origin. Executives fell into four categories: local Asians, born and educated in Asia and have not spent significant time outside the region; "Westernized" Asians who are from the region who have studied or worked outside the region for a significant period; "Asianized" Westerners who were born outside Asia but worked in the region for a significant period; and Western implants.

Local Asians	"Westernized" Asians	"Asianized" Westerners	Western Implants
<b>Executives who were born and bred in Asia and have not lived for any significant period of time outside of the region.</b>	<b>Executives from within the Asia region who have studied and/or lived for a significant time period outside of Asia.</b>	<b>Executives who were born in the West but have strong Asia credentials, having worked in the region for a significant period.</b>	<b>Executives who were born in the West and have limited experience in the region.</b>
They have local language skills and sensitivity as well as strong local ties and relationships, but may lack global experience or exposure to Western multinationals, although this is quickly changing.	These individuals have both local knowledge and language skills and familiarity with Western business practices. This talent can be hard to attract and retain.	When these executives call Asia home, they typically have local sensitivity and relationships and may speak one or more Asian languages, while also being able to relate to headquarters in the West.	While relatively few of our placements in Asia fall into this category, companies in Asia will hire Western Implants when they bring a unique business experience not found in any of the other three talent pools, often at the CEO level.

The Asian market is complex and comprised of many countries, customs and nuanced differences, and the talent landscape is rapidly evolving, mirrored by the success of Asian businesses globally. Understanding these trends can help MNCs in Asia and Asia-based companies to better position themselves to identify, develop and take advantage of emerging sources of talent and attract and retain the best leaders in the region, whatever their backgrounds.

## Our analysis reveals four key trends

### 1. Asians continue to dominate senior level placements in Asia

From 2013 to 2020, Asians (both Local Asians and Westernized Asians) have made up the majority of Spencer Stuart CEO placements in Asia, including 89 percent of APAC sub-region CEOs<sup>1</sup>, 52 percent of APAC CEOs<sup>2</sup> and 76 percent of global CEO roles located in Asia. Overall, the representation of Asian leaders in these senior roles is very similar to what we saw in 2006 to 2012, with the exception of global CEO roles. The rise in the number of major Asian companies has driven demand for Asian leadership for the global CEO role because of their deep market knowledge and understanding of the consumer base.

<sup>1</sup> APAC sub-region CEOs are leaders responsible for more than one market within APAC.

<sup>2</sup> APAC CEOs are leaders responsible for the entire region of APAC.

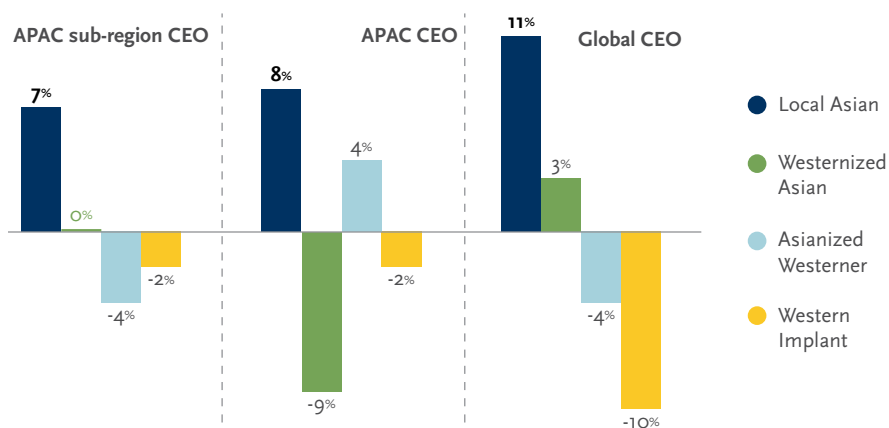
## 2. Westernized Asians remain a key source of leadership talent, but local Asians represent a growing share of senior leadership — particularly CEOs

Westernized Asians are still a critical talent pool for many CEO roles, particularly for Western-headquartered companies with Asia operations. This talent base is often best able to bridge local language and cultural requirements with senior leadership in the West. Looking across CEO placements, Westernized Asians made up 41 percent of APAC sub-region CEOs, 24 percent of APAC CEOs and 39 percent of global CEOs from 2013 to 2020.

However, local Asians have demonstrated the strongest growth among all CEO groups. We attribute this trend to the rise of large Asia-based companies and the growing need by Western MNCs for leaders with deep local market knowledge and local language capability to engage with customers, governments and teams. This is particularly true in China where the government plays a major role in the economy and understanding of how to navigate the government on the ground is critical. The rise of local talent can also be attributed to the continued growth in quality and recognition of Asian universities. As of 2020, the number of top 100 universities in Asia have nearly doubled since 2010 — many of which offer students rich work experiences without the need to work overseas. At the same time, the offerings and opportunities for students at these universities have increased considerably. Many have programs enabling students to study at top universities in the U.S. and Europe and to intern at companies in highly desirable locations such as Silicon Valley, London and others.

And, indeed, the selection of local Asian leaders has occurred at similar rates by both Western-domiciled companies and Asian-domiciled companies. Multinational firms across industries and sizes, including Fortune 500 pharmaceutical, investment banks and payment firms, have sought to appoint local Asians to senior leadership roles by investing in their development. Reasons include these leaders' typically more extensive local networks and greater affinity and commitment to the area, which can lead to longer tenure and loyalty.

### % change in placement composition from 2006 to 2012 to 2013 to 2020

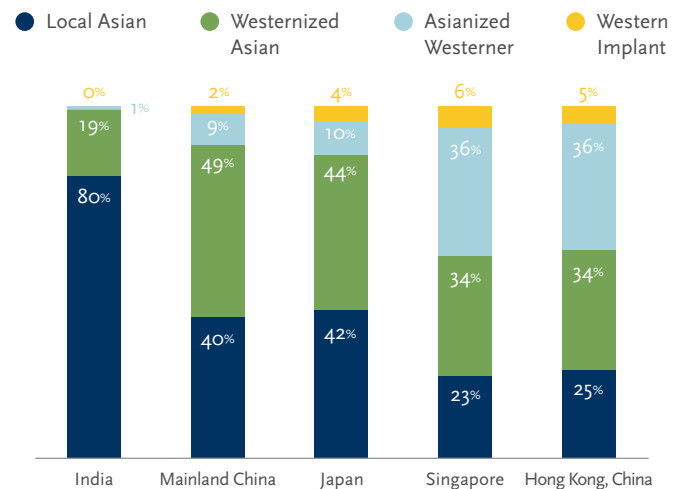




### 3. However, Asia is not homogenous, and clear differences in talent preferences exist across markets

Asia is very diverse and placement data demonstrates clear differences in talent preferences by market. Singapore and Hong Kong, China, for example, have remained the most attractive hubs for regional headquarters. Hong Kong, China, for many years, has served as a financial hub and gateway to the broader China market. Yet this appears to be diminishing, as more companies with an interest in a presence in China are setting up major operations in Beijing and Shanghai. Other geo-political events are ushering in this change, too. Singapore's strong infrastructure, transparent and stable governance, and attractive tax structures make it a common regional headquarters location. In addition, because of their multinational populations, Singapore and Hong Kong are known as the "gateways" to Asia, as many Westerners find the integration into these markets much easier. As a result, Western talent is much more prevalent in these markets.

#### Talent composition for key markets (2013 to 2020)



Local and Westernized Asians make up the largest share of senior leadership placements in mainland China and Japan, driven by the strong presence of global MNCs and large local firms that require local language capabilities and ability to navigate cultural nuances.

India is particularly prone to hiring local Indian talent for several reasons. India is a unique market with multiple dialects, religions and regions with different cultural habits — all of which requires strong local knowledge to navigate.

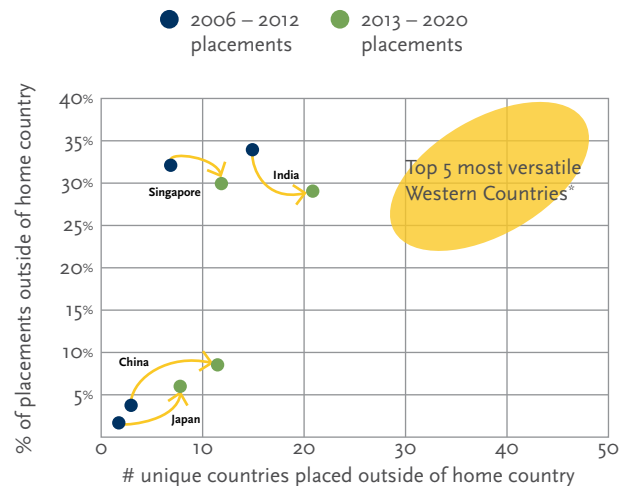
## 4. Asian executives are increasingly gaining leadership experience outside of their home markets.

To understand the “versatility” of leadership in different talent markets, we look at the proportion of placements working outside of their home markets as well as the number of unique markets in which these leaders are placed.

Indian executives, followed by those in Singapore, are the most versatile by this definition, working across numerous markets across Asia, the Middle East and Western markets. The proportion of executives from these two markets placed outside their home market remains on par with the most versatile Western nations. In addition, the number of unique markets in which these executives have been placed outside of their home market has also grown.

Chinese and Japanese executives still tend to work in their home markets, primarily due to the large number of opportunities, driven by the size of their economies as well as their inherent strength in understanding local market nuances. However, we have seen an increase in movement in the last several years.

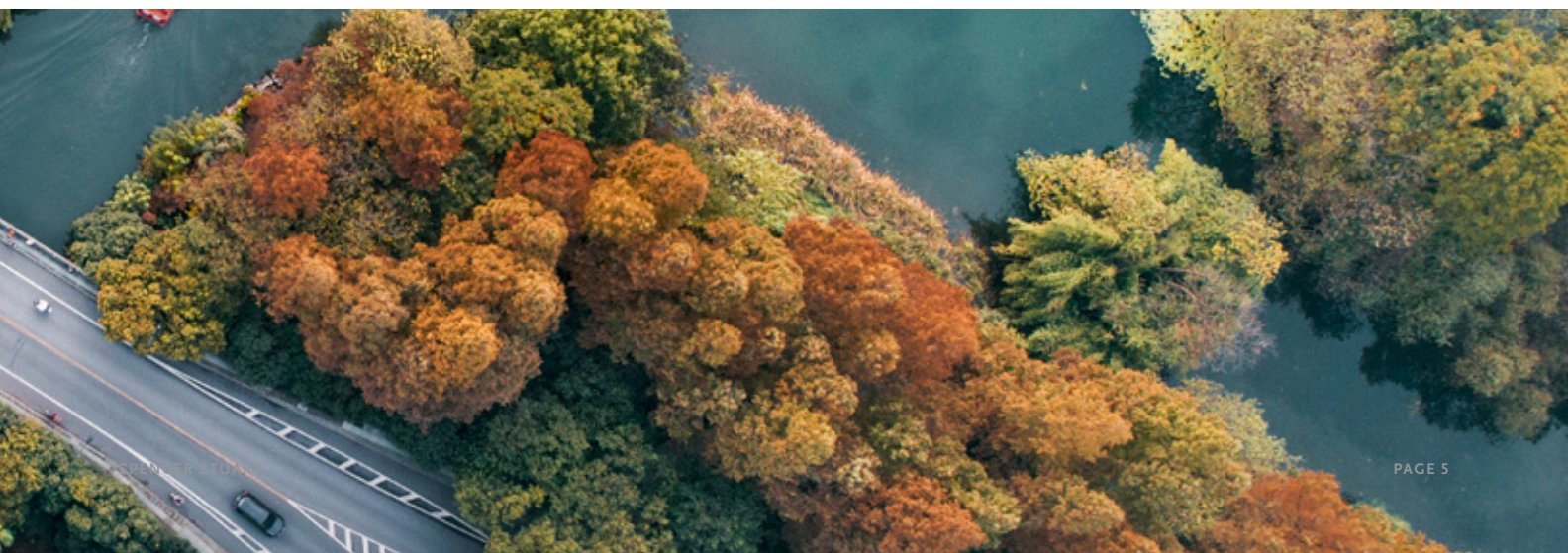
### Leader “versatility” across markets



\* United Kingdom, United States of America, Germany, France and Netherlands

Source: Spencer Stuart placement data

Although still small, the percentage of Asians placed into senior leadership roles (CEO, executive and senior vice presidents, etc.) outside of their home markets has grown. As Asian companies such as SoftBank International, Alibaba and Infosys expand globally, these firms naturally seek senior executives able to connect back to Asian headquarters. However, this trend is also increasingly present in global multinationals such as Cisco, Microsoft and Nokia where executives of Asian origin rank among their most senior leaders.



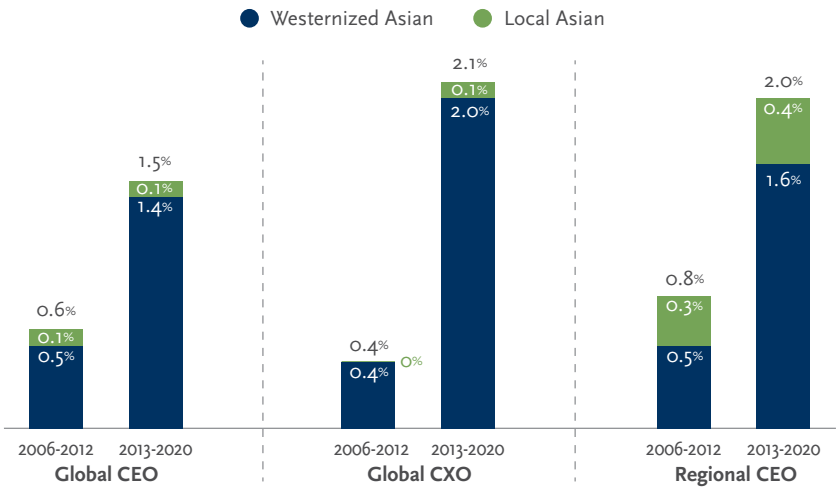




Westernized Asians have been increasing their presence among of Fortune 500 leaders over the last few decades. Some notable examples include Satya Nadella, Microsoft’s CEO who succeeded Steve Ballmer in 2014, and Omar Ishrak, who became CEO of Medtronic in 2011. However, as Asian companies grow in prominence and scale globally, we expect to see not just Westernized Asians, but also local Asians continuing to take global roles both in Western and Asian companies. Leaders such as Cisco EVP and Chief of Operations Irving Tan; TS Anil, CEO at Monzo Bank; and Ajay Banga, CEO of Mastercard, are examples of Asian-born and educated leaders who have made it to the top global leadership positions at Fortune 500 firms.

We expect to see more local Asians follow this path as Asia continues to grow in importance as a market. Asia is an excellent proving ground for leadership; increasingly, leaders will view the ability to navigate the highly complex Asia business environment and succeed in this key market as strong evidence that an individual has the capability to excel as a leader in other parts of the world.

### % CEO placements outside of Asia



Source: Spencer Stuart placement data; 26 placements from 2006 to 2012; 108 placements from 2013 to 2020.

## Learnings and Implications

As both Asian and global firms increasingly recognize the value of Asian, particularly local Asian talent, in growing their businesses, the competition for such talent has increased tremendously. Companies operating in Asia therefore must be strategic in their executive search approach.

### Don't overlook local Asian talent for Asia and global CEO positions

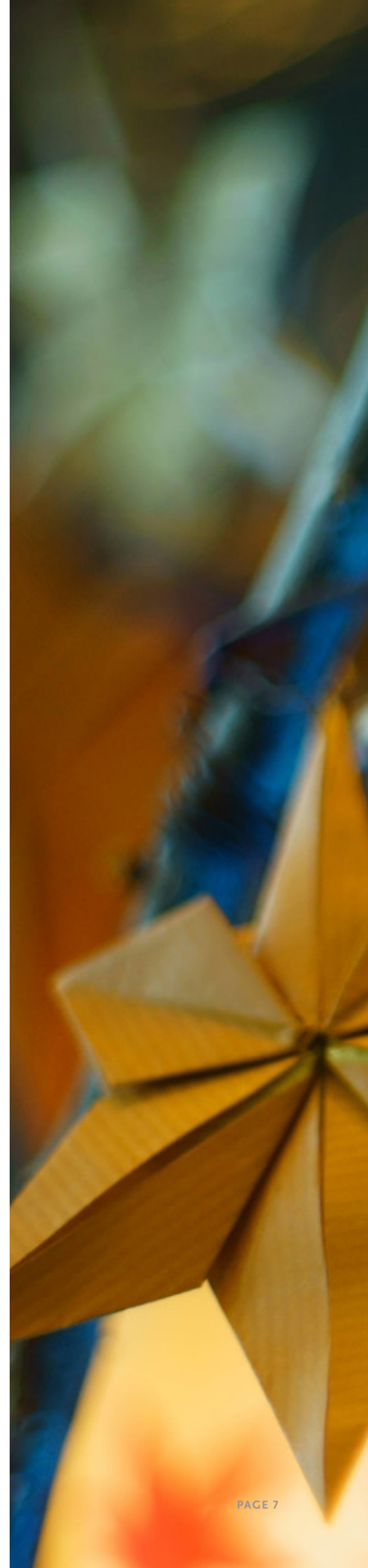
We continue to see a tendency to favour Westernized Asians and Asianized Westerners for these most senior roles. However, local Asians are becoming as successful (evidenced by promotions, and similar, qualitative measures) as those of their more Westernized peers both on the region and the world stage. As Asian companies grow in prominence globally and more local Asians gain experience in increasingly senior roles globally, this talent pool will continue to grow and deepen in strength.

### Prioritize desired senior executive characteristics and be willing to make necessary trade-offs

While it's tempting to only seek candidates who meet a "wish list" of local characteristics, in most markets this dramatically reduces the talent pool. For example, a company seeking an executive with the combination of a specific national background and international experience in a specific industry will likely only find a handful of individuals globally with that profile. Companies should therefore carefully prioritize the most important target characteristics and seek market insights on local market dynamics to understand the availability of such talent both locally and globally and the potential trade-offs to be made.

### Continue to consider Western talent, which is still highly effective in Asia

While companies in Asia demonstrate a clear preference for Asian talent, Westerners (particularly those with substantive experience in Asia) continue to demonstrate success in the region. For example, Western executives placed in senior roles in Asia frequently have spent more than a decade in the region, giving them a deep understanding of the market environment. Furthermore, they have often developed stronger strategic problem-solving skills and greater versatility, having had to figure out how to build a successful business in a market different from their home market. Western implants are also often necessary in Asia, particularly for CEO roles that require deep industry or functional knowledge that has not yet been developed in Asia.



## Conclusion

Asia has continued to grow in importance to the global economy is poised to become a centre of economic activity in the future, demand for local Asian leaders will grow as well. Asian leaders are increasingly going global — gaining regional and global leadership experience — driven both by the westward expansion of Asian firms and the growing quality and attractiveness of the Asian talent pool.

The desire for top local Asian talent has intensified, placing greater pressure on companies to formulate effective strategies to attract and retain the best talent for senior leadership roles. Tailoring recruitment messages and the value proposition for these in-demand leaders is critical. Finally, recognizing Western talent, particularly those with substantive experience in the region, can be a source of effective leadership for Asia, can open up a large, robust talent pool that can add great value to a company.

## Methodology

We analysed over 3,500 CEO and CEO direct report placements of Spencer Stuart in Asia for the period of 2006 to Q1 2020. These placements were across 18 markets in Asia, excluding Australia/New Zealand, but including all major Asian markets such as Greater China, India, Japan, South Korea and Southeast Asia. These placements covered all major industry sectors, including consumer, financial services, industrial and energy, healthcare and technology. We have compared data from two six-year periods — 2006 to 2012 and 2013 to 2020 — to uncover how Asian talent trends have changed.

We segmented the executive placements in the region along two dimensions — individuals' region of origin, which could be either Asia or the rest of world and the depth of their experiences outside their region of origin — and into four mutually exclusive talent pools:

### Executive talent relevant to the Asia market

Asian talent		Foreign talent	
Local Asian	“Westernized” Asian	“Asianized” Westerner	Western Implant
Talent who is born and bred in Asia and has not lived for any significant period of time outside of the region.	Talent from the Asia region who has studied and/or lived for more than five years outside of Asia.	Talent who was born in the West but has strong Asia credentials, having either work in the region for at least five years or a working knowledge of one or more Asian languages.	Talent born in the West who has lived/worked in Asia for less than five years.



## AUTHORS

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**Danny Koh** (Singapore) and **Maria Phong** (Singapore)

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