

CULTIVATING ‘SMART GROWTH’ LEADERS TO OUTPACE THE GLOBAL ECONOMY

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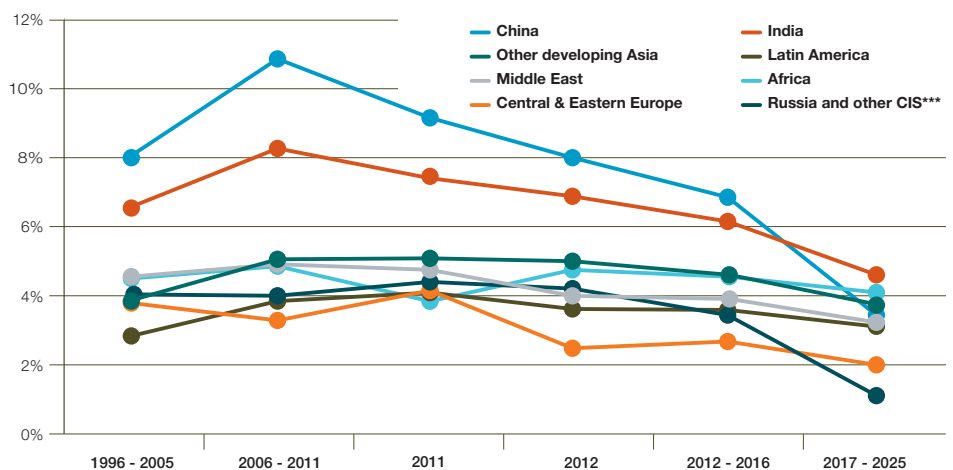
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As a global economic slowdown provides a real-world stress test, the question of how to sustain business growth moves up on the agenda for many corporate boards, even in the emerging markets in Asia Pacific. Among the factors boards are re-evaluating is the type and quality of leadership and talent their businesses have on hand and how it will contribute to the short, medium and longer term success of their business.

With GDP growth stuck between 1 percent and 3 percent in mature markets and reduced to 5 to 7 percent in emerging markets (see Figure 1), many forecasts and business strategies are undergoing harsh revision. Although some industrial segments might have seemed, at first, immune to the slowdown, it is likely that a broad swath of the industrial landscape will be negatively affected this year and next.

This pattern of market consolidation—where some firms founder and others seize their market share—following an economic decline is not a new phenomenon. But because downturns became less frequent or pronounced in the emerging markets during recent decades, many of

Figure 1
Slowing GDP growth in emerging markets



the current business leaders in these markets are facing this challenge for the first time. Consequently we must remind ourselves that the talent and leadership abilities needed to perform in good times may not be sufficient for bad, or even flat, times.

Redefining talent and predicting leadership abilities

Over the last decade Korn/Ferry invested in better understanding leadership and its component parts. Using a scientifically validated library of sixty-seven competencies, the firm has documented how various combinations of leadership competencies will result in successful executive behaviors or failure.

The good news is that this work has resulted in a common standard to measure talent. Furthermore, it means we can predict leadership ability more accurately for different missions and business contexts. It also gives

us a language for discussing leadership with more precision. More and more companies are adopting the Korn/Ferry competency library to “audit” their

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human capital reserves, and to determine how to invest strategically to produce the leaders they need.

As a window to the type of thinking that Korn/Ferry applies, consider a list of competencies published in 2010 by the World Business Council for Sustainable Development as those critical for CEOs driving global sustainable development. Ten attributes are listed below in order of importance as determined by Korn/Ferry’s benchmarking. We have also noted how easy

or difficult it is to develop that particular attribute in a leader.

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In addition to the profile of a single leader at the top of the corporation, the right mix of collective competencies on the board determines how well the whole organization can cope with change or set the pace of change.

Figure 2

Critical competencies for global CEOs driving sustainable development

Korn/Ferry benchmark published by the World Business Council for Sustainable Development's "People Matter" report (2010).

Competency	Importance 7 = mission critical							Definition	Development difficulty
	1	2	3	4	5	6	7		
Perspective	█	█	█	█	█	█	█	Takes an all-encompassing view of a problem or challenge. Has a broad range of interests. Can see the big picture.	Moderately hard
Political Savvy	█	█	█	█	█	█		Maze bright. Maneuvers effectively through complex political situations. Views corporate politics as part of organizational life.	Hardest
Understanding Others	█	█	█	█	█	█		Understands why individuals or groups do what they do and can predict behaviors across different situations. Knows how to motivate them.	Hardest
Managing Diversity	█	█	█	█	█	█		Manages all classes of people equitably. Deals effectively with all races, nationalities, cultures, disabilities, ages, and both sexes.	Hardest
Strategic Agility	█	█	█	█	█			Can articulately paint credible pictures and visions of possibilities and likelihoods. Can create breakthrough strategies and plans.	Harder
Integrity and Trust	█	█	█	█	█			Is widely trusted. Can present the unvarnished truth in an appropriate and helpful manner.	Easier
Ethics and Values	█	█	█	█	█			Adheres to a set of values in good and bad times. Practices what she/he preaches.	Moderately hard
Manage Vision and Purpose	█	█	█	█	█			Communicates a compelling sense of core purpose. Makes the vision sharable. Creates mileposts and symbols to rally support for the vision.	Moderately hard
Priority Setting	█	█	█	█				Can quickly sense what will help or hinder the accomplishment of a goal. Eliminates roadblocks and creates focus.	Easier
Managing Through Systems	█	█	█	█				Designs practices and processes allowing remote management. Is comfortable letting things manage themselves without intervening.	Harder

Leadership Factors

█ Strategic Skills
 █ Operating Skills
 █ Organisational Positioning Skills
 █ Personal and Interpersonal Skills

‘Smart Growth’ leaders

Globally, markets are shifting out of an easy growth phase, during which demand generally outstripped supply, customers were willing to spend or invest, and industry’s primary challenge was increasing capacity. Today’s business leaders need to find new pathways to nonlinear growth, that is, growth that tracks beyond general GDP or sector performance.

Recent panel discussions that Korn/Ferry consultants led with CEOs in China, India, and Australia also generated some agreement that this model is relevant not just to specific corporations, but also for regional markets such as theirs striving to remain globally competitive.

Korn/Ferry believes that this emerging fight for larger shares of a slow-growth market is likely to be won by corporations that have a high Smart Growth Capacity—the right mix of leaders with high Learning Agility and Leadership Maturity.

Figure 3
Leadership for slow-growth times



Smart Growth leaders combine Leadership Maturity with high Learning Agility. They have the ability to operate effectively at the appropriate level of complexity, ambiguity, and scale coupled with facility in handling disruption, speed, and volatility. This is the type of individual who can drive growth, even when demand is generally weak and disruptive change is high. He or she is more likely to help a company cheat death by reinventing the business models, entering or creating new markets, or leaving old paradigms.

Two vital questions arise out of this scenario: How do we know whether we have Smart Growth leaders in our organization? And, what can we do to enhance the pool of Smart Growth leaders?

In 2010 Korn/Ferry started performing diagnostic surveys on corporate leadership teams. After measuring each person's Learning Agility and Leadership Maturity, we could determine how many leaders fell into each of the categories below. The resulting Smart Growth Capacity score ($T3 \times [1-B3]$) estimates how likely a company is to lag behind, keep pace with, or outperform the general economic conditions.

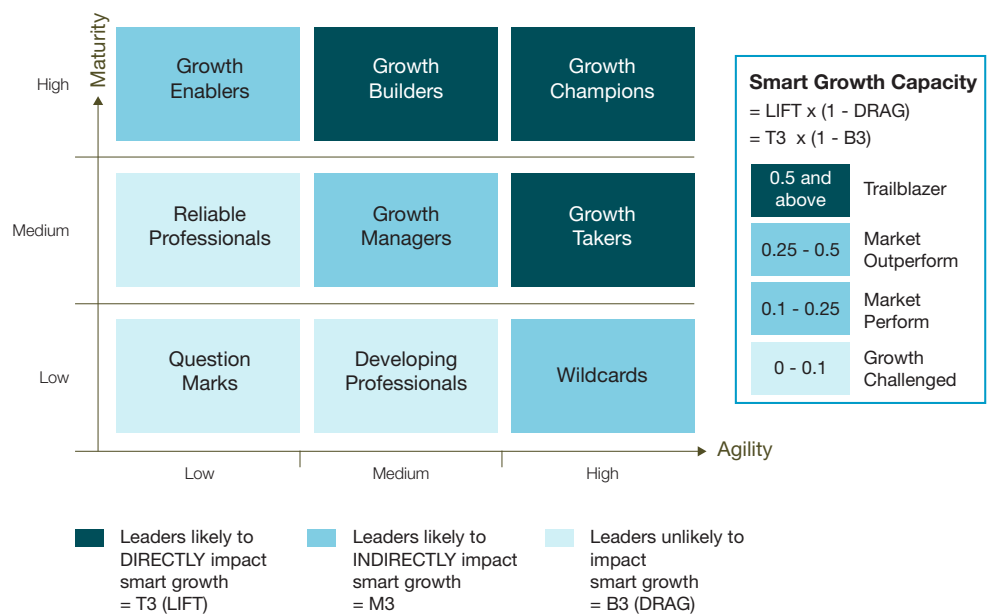
Using this framework, chief executives and chief human resources officers can analyze the Smart Growth Capacity of their organizations. By hiring and promoting leaders with high agility and maturity, and developing those capabilities in their current executives, companies can position themselves to thrive through this period of slowing growth.

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Figure 4

Smart Growth Capacity

The T3 boxes in the upper right corner — the Growth Champions, Builders, and Takers with high levels of Agility and Maturity — are those most likely to create growth "lift." B3, those in the lower left with low scores on both measurements — create growth "drag."



Upcoming leadership discussions in APAC

The expiration date on talent. After the 2008 financial crisis, Korn/Ferry observed accelerated delayering of organization structures and consolidation of responsibilities in fewer executive positions. Many executives, once described as high potentials, stars, or top talents started thinking about how to remain relevant to their corporation. In a next discussion, Korn/Ferry will raise the subject of the expiration date on talent and how to postpone it.

Getting superior returns out of Mergers and Acquisitions: The human factor. Research indicates that more than half of mergers and acquisitions fail to deliver the expected results. In this discussion, Korn/Ferry will address how effective talent and cultural integration can increase M&A success.

Innovation propelling “Smart Growth.” Crisis situations or unexpected shifts in markets often lead to paradigm shifts in business. The most innovative companies foster an ongoing level of breakthrough thinking to fuel their smart-growth strategies. Korn/Ferry will host a leadership discussion around the importance of creativity. What can we learn from innovative organizations? The value of breakthrough thinking? Developing organizational creativity?

CEOs running joint ventures? Joint ventures have been used as strategic vehicles for Western corporations to penetrate emerging markets. Corporations report mixed results and are raising the question about the right leadership profile to manage the delicate balance among the multiple stakeholders. Korn/Ferry zooms into this discussion.

Privately owned companies: hidden gems? Most economies around the world are the result of the hard work and creativity of small and mid-sized companies. Some of them become global players or enjoy top-notch reputations in niche markets. What makes them special as a career destination for top talent? What are their challenges?

Supply chain management: evolution and revolutions. Who is thinking of using their supply chains to drive business and revenue growth? New market opportunities? Building new competitive and supply bases to support them? Who expects their supply chain leaders to build revenues and profitability? What does it take to be capable of getting products and services to the market first?

If you are interested in attending any of our upcoming leadership discussions, please send an e-mail to: peter.everaert@kornferry.com or consult the Korn/Ferry website: www.kornferry.com and connect with one of our Korn/Ferry partners closest to you.



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About The Korn/Ferry Institute

The Korn/Ferry Institute generates forward-thinking research and viewpoints that illuminate how talent advances business strategy. Since its founding in 2008, the institute has published scores of articles, studies and books that explore global best practices in organizational leadership and human capital development.

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Korn/Ferry International is a premier global provider of talent management solutions, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East and Africa. The firm delivers services and solutions that help clients cultivate greatness through the attraction, engagement, development and retention of their talent.

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