SMART GROWTH: is ASIA ready?
Smart Growth: is Asia ready?

Introduction

Boards and chief executives habitually say that leadership talent is among an organization’s most important asset. But it’s an asset that can be difficult to valuate or to deploy with complete confidence. Too often, talent shortfalls go undiscovered until symptoms become conspicuous: unmet targets, a dearth of innovation, sputtering growth.

In Asia, a sharp turn in market conditions has provided a remarkable laboratory to study the modulating effect that superior talent can have on businesses confronting a downshifting market. After about fifteen years of remarkable expansion (what we call the easy growth period), the region is now entering into a new, tougher growth environment—the smart growth period.

For a generation of leaders who built their careers in easy growth conditions, the challenge will be to adjust to the new normal of smart growth—where demand is weak and change is furious. CEOs are fast realizing that as growth disappears from markets around the world, the search for new growth will shift the focus to leadership: do we have leaders who can grow the business when the market is flat?

Leveraging its years of research into the competencies, approaches, and personal attributes of best-in-class business leaders, Korn/Ferry International is constructing a new framework to answer this question.

This system is based on two statistically validated psychometric assessments. The first gauges maturity, which is the mark of a seasoned executive who can handle complexity, ambiguity, and large-scale issues.
The second, which measures Learning Agility, captures flexibility, resourcefulness, and the ability to tackle new and uncharted challenges. We believe a combination of these factors—particularly an aggregate of the top two tiers of leaders—predicts performance in driving top line growth, especially in an unpredictable business climate.

For this first foray, we have looked specifically at the abilities that drive above-market growth rates for businesses in Asia. Using Korn/Ferry’s science-based assessment tools, we were able to evaluate individual abilities with accuracy, and then benchmark collective results against the relevant industry or market. At the same time, we were able to pinpoint the skill sets that need to be developed in rising executives to enhance competitiveness of the enterprise going forward.

A wholesale upgrade of talent, a confounding undertaking even in stable times, is made stark, simple and clear when viewed through the lens of aggregate “smart growth capacity.” Informed by an unbiased and empirical appraisal of their executives, CEOs can strategically target assignments, coaching and development—and if necessary, separation—to improve growth performance.

Asia today is a crucible, where the pace of change, pressures from globalization, and intensity of competition will generate new, and better, leaders. Organizations that find and develop them will discover that growth doesn’t emerge from markets, but from the collective capacity of their leaders.
Asian businesses hit a headwind

Jonathan approached the boardroom with some trepidation. During a
breakfast briefing, he’d been told by the global CEO that the board was
keen to hear Jonathan’s thoughts on how to rekindle growth in the Asia
business. This was a departure in tone, and Jonathan was not looking
forward to the discussion to come.

Leading a team as president of the Asia business, Jonathan had been
instrumental in driving double-digit annual revenue growth for most of a
decade. The business—a Korn/Ferry International client, though we have
altered names and some details to maintain confidentiality—had trans-
formed from an American brand to a local brand in Asia in a very short
time. Its performance in emerging markets, especially India and China,
had been spectacular. It was held back for a bit by the global credit crisis,
but growth had rebounded alongside new middle-class consumerism. At
one point Jonathan was even interviewed by a major business publication
based on his success.

The last three quarters, however, had proved to be different. Slowing
demand in the Western world seemed to be dragging down emerging-mar-
ket demand as well. Every monthly call with his team indicated a stubborn
sluggishness. It wasn’t the free fall of 2009, but an insidious stall.

During a conference call the week before, Jonathan had asked each execu-
tive on his team to propose how to jump-start the growth engine in Asia.
As the responses had come drifting over the line, Jonathan felt uneasy.
They seemed to be trying everything in their downturn playbook, but
nothing was working. Out of his dozen direct reports, only three had a
clear plan and the right mindset for growth in this environment. He
realized that the others were truly struggling; they’d never confronted a
prolonged downturn during their careers.

We’ll come back to Jonathan and his board meeting. First, let’s take a
deeper look at the problem.

Dropping or flatlining economic growth rates are an issue that extend far
beyond Jonathan and his company. Government leaders and corporate
CEOs are grappling with it with equal distress. From their different per-
spectives, they are asking the same question: how can we create growth
where there appears to be none? Is there a combination of inventiveness,
courage, wisdom, and skills that can accomplish that?
The end of the ‘easy growth’ era

The nature of economic growth has changed. From the mid-1990s to 2007, developing economies—and specifically those in Asia—saw a period of growth unmatched in scale, optimism, or speed. This era can be characterized as one of “easy growth.” During this time, it became easier and cheaper to access capital than in any other period in history, globalization created unprecedented access to new markets and consumers, and household consumer borrowing drove spending around the world. A generation of corporate leaders was shaped by this period, when growth was there for the taking; all they had to do was show up. And now, suddenly, that era is over (see Figures 1 and 2).

It has been supplanted by a period that Mohamed El-Erian, CEO and co-chief investment officer of Pimco, calls “The New Normal”—a time in which growth is slow but change is fast. Such a period of complexity and uncertainty—in markets, finance, and currency—will call for leaders to think and act differently to unearth growth where none is evident. Inventive and growth-savvy leaders will make a huge difference in corporate performance. This is the era of “smart growth.”

We have entered a period in which growth is slow, but change is fast. It calls for leaders who think and act differently.

How long will smart growth conditions persist? A resounding number of CEOs believe they are here to stay for the rest of the decade, if not longer. There are several factors playing into this prediction.

Consumption. Rapid reduction in consumer debt, stubborn unemployment, and wage stagnation in the West continue to drive down overall consumer demand. Emerging-market consumption is rising.
but not at a pace that can offset the demand vacuum in the West.

**Private-sector spending.** Corporations increasingly are focused on cost and their bottom line, reducing impetus for growth investments.

At the same time, economic uncertainty and moving-target government policy have dealt severe blows to CEO confidence and private-sector spending.

**Trade flow.** The momentum of globalization has slowed, if not reversed. Some governments are reverting to a protectionist agenda and increasing trade barriers to satisfy domestic political pressures. The slowdown in emerging markets has taken bites out of commodity and raw materials prices too, further impacting trade flows.

**Government regulation.** The global financial crisis led to a stricter regulatory regime that is (sometimes justifiably) over-indexing on risk. Regulatory pressure on the banking system in particular is reducing the risk capital available, making it increasingly difficult to fund new growth ideas. This does lead to opportunities for venture capital or private equity funds to step in, but broader funding options are crucial to drive macro growth.

**Talent.** Easy growth talent—leaders who could drive 20 percent growth in a market that was growing 20 percent—are no longer in shortage, nor are they in demand. The war for talent is shifting to smart growth leaders, those who can create 20 percent growth in zero-growth markets. Mobility of talent is also an important factor. Corporations must move the right talent around the world to match up with the right areas of growth.
The growth dilemma in Asia

Asia has the lead role in this story. Indeed, businesses around the world are looking for Asia to be the hero that will drive top line growth in the next decade. Asian CEOs and presidents are, like Jonathan, unsure whether their teams have the right conditioning for these challenging circumstances.

As one banking CEO in Asia explained, “My executive team is wired for easy growth. In the twenty years that they have been in management roles, growth was a given. Even at the depths of the Lehman Brothers crisis, we knew that if we could just hold on to our basics long enough, the tide would turn. This time it is different. But my team is still waiting for the tide.”

This is the dilemma facing so many businesses in Asia. While the Chinese government (and others such as South Korea) revisit stimulus spending, which worked wonders in the last cycle, many CEOs who spoke with Korn/Ferry believe that it won’t have the same impact this time around. This shift in the economic conditions appears structural, not cyclical (see Figure 3).
Confronting slow growth and fast change

The era of ‘smart growth’ is characterized by a double threat: slow growth and fast change. To respond, businesses must make mental leap, moving away from the notion that “growth exists in certain markets” toward the idea that “growth emerges from certain leaders.” The fact is markets that grow at double-digit pace year on year are increasingly hard to find. Instead, organizations must look within for a leadership team that can carve out growth where others may see no hope.

This view makes leadership more complicated and nuanced, but also more powerful: it holds that leaders, not market conditions, define the limits of growth.

Based on discussions with CEOs, Korn/Ferry isolated five necessary shifts in capability and mindset (see Figure 4).

From Participate to Innovate. Woody Allen’s quip that “80 percent of success is showing up” captures the ethos of the easy growth era. Companies that simply figured out where fast growth was underway could capture the rising tide. For the smart growth era, Asian companies need to innovate, create new market spaces, and position themselves strategically against competition. Leaders must build teams that are focused on spurring new demand and winning market share by creating a base of passionate and loyal customers. Businesses that come out on top will quickly open up a growth gap and pull away from lagging competitors.

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**Figure 4**

The shift in skill and mindset for growth leaders

<table>
<thead>
<tr>
<th>Easy Growth Leadership</th>
<th>Smart Growth Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leadership mindset:</strong></td>
<td>Leadership mindset: Growth is in the leaders</td>
</tr>
<tr>
<td>Growth is in the market</td>
<td>Building leadership capacity is crucial for growth.</td>
</tr>
<tr>
<td>Picking the right product-market strategies will give us growth.</td>
<td></td>
</tr>
<tr>
<td><strong>Participate</strong></td>
<td>Innovate</td>
</tr>
<tr>
<td>Find the growth markets and get in as early as possible.</td>
<td>Create new demand and build new market spaces.</td>
</tr>
<tr>
<td><strong>Fuel</strong></td>
<td>Sharpen</td>
</tr>
<tr>
<td>Feed growth engines with more resources and investment.</td>
<td>Build growth engines that are resource efficient and lean.</td>
</tr>
<tr>
<td><strong>Good enough</strong></td>
<td>Must have</td>
</tr>
<tr>
<td>Responsive to customer expediency, not insight.</td>
<td>Use deep customer insight to drive customer urgency.</td>
</tr>
<tr>
<td><strong>Specialize</strong></td>
<td>Collaborate</td>
</tr>
<tr>
<td>Get specialized teams to execute with expertise.</td>
<td>Get diverse teams to work together and create the new and different.</td>
</tr>
</tbody>
</table>
From Fuel to Sharpen. When growth was there for the taking, all leaders needed to do was apply sufficient resources to the right spot. “Do more with less . . . far more with way less,” is the new mantra. For some companies, the most heeded metric is no longer top line expansion but increases in revenue per employee or revenue growth/cost base. Technology companies in India are obsessing about this shift, realizing that the labor-intensive models they have used to drive demand for decades are unsustainable. Implementing resource-efficient growth models requires more focused innovation, customer insight, and nonlinear thinking. Drive for results and an obsessive focus on speed will not create growth in the new era.

From Good Enough to Must Have. In 2007, the Harvard Business Review published an article titled the “Battle for China’s Good Enough Market.” The good enough principle created a whole new armory for corporate leaders. Emerging-market companies especially have built up around a strategy of customer expediency: create a range of products and services that are good enough in quality but much cheaper than the premium brands.

The primary challenge for leaders seeking growth today, however, is to convert their proposition into must-have status without losing the cost-value advantage of good enough. This calls for customer insight that goes deeper than the obvious. For example, when the Tata group launched the ultracheap Nano automobile in India, the logic was that owners of two-wheelers would move up to the cheapest car available. Indian consumers, however, were thinking differently. They were more interested in the aspirational value of the four-wheel vehicle, and middle-class buyers stretched their budget to buy cars that were as desirable as they were affordable.

Mastering such facets of Asia’s burgeoning middle class—with compelling products and excellent branding—will be central to achieving “must have” status and capturing that growth.

From Specialize to Collaborate. The focus on speed in the easy growth era called for specialization: careers became more functional, skills more technical, and operations more siloed. All of this led to speed, expediency, and growth. The old-world practice of grooming general managers (i.e., country leaders) slowly faded when business line and functional alignment proved to be the fastest way forward.

The smart growth era will not spell the end of specialization—far from it. It will, however, force leaders to find ways to make specialists work together seamlessly. Individuals with diverse skills and points of view will be called upon to rise above their differences and collaborate. “We need to
install a different ‘headset’ on our leaders,” explained one Asian CEO. “The petty cross-functional rivalry that drove their behavior in the past is now the single biggest roadblock to future growth. In good times, everyone did well, and nobody cared about silos. Sometimes, silos were even encouraged in the name of healthy internal competition. Today, customers are pushing us to get our internal act together. We have no option but to learn to work with others who may be different from us. We don’t need to love them, just be mature enough to work with them.”

Increasingly, this need to collaborate extends beyond the walls of an organization. Working with multiple corporate partners with dovetailing niches and specialties to foster a thriving ecosystem will be one method of hatching new growth opportunities.

**Measuring individual readiness for smart growth**

Given the stark changes they are facing, companies must ask, “How many of our leaders who were stars in the easy growth era are equipped to make the transition to smart growth?” Measuring the readiness of leaders to change, adapt, and spur growth is not an easy task. Most managers tend to rely on a cocktail of financial/commercial results and some model of exhibited behaviors (competencies). The verdict is often wrong. In 2005, the Corporate Leadership Council’s High-Potential Management Survey put the error level at 71 percent in assessing leaders for future potential based on past performance.

The shifts in mindset and skill we have identified above are nontrivial, so it is easy to understand why high performance in easy growth will not automatically continue in smart growth. The best performers in the easy growth era have an additional challenge to contend with: complacency. Having driven rapid expansion over a decade or more, some might find it insulting to have to prove their readiness again. Raising awareness and providing clarity around the changing conditions, however, can go a long way in creating readiness.

In our study of smart growth leaders, Korn/Ferry found that two sets of characteristics indicate the level of smart growth prowess, or lack of it: Leadership Maturity and Learning Agility.
Leadership Maturity (hitherto referred to as maturity) is the individual leader’s ability to operate effectively at the appropriate level of complexity, ambiguity, and scale. Maturity comprises:

- Organizational Maturity—the ability to navigate through the organization and work with its many stakeholders;
- Cognitive Maturity—the ability to sense and respond to trends, information, data, and insights; and
- Emotional Maturity—the ability to stay in the most effective emotional state to get the best out of self and others.

Think of maturity as the indicator of a seasoned executive, someone with experience in highly complex situations who handles difficult challenges with grace. Given the unnerving shifts underway, maturity will be paramount.

Learning Agility (hitherto referred to as agility) is the individual leader’s ability to operate effectively at the appropriate level of disruption, speed, and volatility. Agility comprises five elements:

- Mental Agility—the ability to operate across domains, show interest in unrelated areas, and connect the dots to solve problems;
- People Agility—the ability to read people well, adapt to diverse groups, and show astute interpersonal judgment;
- Change Agility—a willingness to challenge the status quo, desire to tinker with systems and processes, and ability to implement change;
- Results Agility—an ability to prioritize quickly, set goals, and achieve outcomes in good or bad situations; and
- Self-Awareness—an openness to feedback, habit of self-reflection, and genuine interest in learning about and developing self.

Think of agility as an indicator of a fast-learning executive, someone who knows what to do when he doesn’t know what to do. Given a fast changing environment in the smart growth era, agility will be the other differentiator among leaders.

Taken together, maturity and agility are the best factors for predicting smart growth readiness. Both can be measured fairly and accurately, and benchmarked against leaders in the relevant industry and markets—pragmatic considerations if they are to be used in business. Most importantly, both can be developed in individuals over time, giving organizations a clear way forward to enhance the competitiveness of their leadership teams.
Calculating an organization’s Smart Growth Capacity

Smart Growth Capacity (SGC) is a score that measures the aggregate maturity and agility in a leadership talent pool. It points toward the collective capability of a group of executives to drive growth rates over and above that of peer market participants. Korn/Ferry has examined both head-to-head competitors and markets with multiple competitors and found that a higher SGC means that organization is far more likely to have a higher rate of top line growth.

There are four stages to measuring the Smart Growth Capacity of a business:

1. **Determine whom to assess.** A rule of thumb would be to include everyone in the top team, most of the leaders in the next level (exempting a handful who may be in highly specialized roles or are about to retire/exit), and a handpicked few from the third tier (typically those in crucial growth oriented roles or those who are about to be promoted). See Figure 5.

2. **Assess maturity and agility of leadership pool.** Based on each individual’s assessment scores, plot all of the leaders on a three-by-three grid of maturity and agility (see Figure 6), and then calculate the percentage of the leadership pool in each box.

Then, develop best in class profiles of the relevant industry and market for comparison.
3. Calculate percentages of top, middle, and bottom growth leaders. Add up the percentages of three categories to arrive at three numbers:

- **Top 3 (T3)**—percentage of total leaders most likely to impact smart growth (Growth Champions + Growth Builders + Growth Takers)
- **Middle 3 (M3)**—percentage of leaders most likely to support or indirectly impact smart growth (Growth Enablers + Growth Managers + Wildcards)
- **Bottom 3 (B3)**—percentage of leaders least likely to impact smart growth (Reliable Professionals + Developing Professionals + Question Marks)

4. Derive SGC. Smart growth capacity is a function of Top 3 (T3) and Bottom 3 (B3), and the formula T3 x (1-B3) denotes the organization’s overall SGC. This reflects the fact that a higher rate of T3 leaders will help “lift” Smart Growth Capacity, while too many B3 leaders will act as a “drag” on growth overall. Having a large percentage of B3 leaders suggests resistance to change and slower execution capability on the overall growth agenda.

In the case study on page 14, the organization had a T3 of 0.36 (or 36 percent) and B3 of 0.34 (or 34 percent).

So the SGC for the organization is 0.36 x 0.66, or 0.24. This can then be benchmarked against companies in the same market or industry using Korn/Ferry’s proprietary database.
### Figure 7

**Roles for smart growth segments**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Assessment</th>
<th>Likely to succeed in...</th>
<th>Best suited for...</th>
</tr>
</thead>
</table>
| **Growth Champions** | High Maturity High Agility | • Transforming a business or growing something from scratch  
• Creating new markets through innovation  
• High degree of complexity/stakeholder management  
• High change challenges | • CEO/business leadership  
• Business development  
• Transformation leader  
• Emerging/growth-markets leadership |
| **Growth Builders**     | High Maturity Medium Agility | • Scaling an existing business/platform  
• Managing a matrixed, complex environment  
• Significant people challenges  
• Creating long-term, sustained results | • CEO/business leadership  
• Business development  
• COO/CMO/other functions  
• Turnaround leadership |
| **Growth Takers**        | Medium Maturity High Agility | • Entering an emerging area, growing a business in emerging markets  
• Less complex structures, clear accountability  
• High speed, innovation challenges  
• Capturing growth in a developing area or market | • CEO/business leadership  
• Business development  
• Innovation leadership  
• Emerging-market leadership  
• International roles |
| **Growth Enablers**       | High Maturity Low Agility | • Enabling others either as a coach, mentor, or thought leader  
• Building expertise and mastery (functional roles)  
• Achieving “best practice”/excellence | • Functional leadership  
• Thought leadership/R&D  
• COO (steady environment)  
• Process leadership  
• Coach/mentor |
| **Growth Managers**       | Medium Maturity Medium Agility | • Growing parts of a business incrementally  
• Managing complex projects, accounts, functions  
• Significant people challenges that require a steady hand and composure  
• Stabilizing performance, incremental growth, short-term outcomes | • Functional leadership  
• Small unit leadership  
• Account leadership  
• Shared services/process leadership/projects |
| **Wildcards**             | Low Maturity High Agility | • Highly volatile, challenging projects  
• Low people management requirement  
• Creative, out of the box thinking required  
• Thinking differently and trying new approaches to solve problems | • Special projects  
• Crisis manager  
• Small team leadership  
• Start-up roles  
• Roles with high upside, low downside |
| **Reliable Professionals** | Medium Maturity Low Agility | • Managing processes and functional areas  
• Steady hands—leverage experience and professional expertise  
• Low change/disruptive environments  
• Managing steady outcomes | • Functional leadership  
• Thought leadership/R&D  
• COO (steady environment)  
• Process leadership  
• Coach/mentor |
| **Developing Professionals** | Low Maturity Medium Agility | • Learning/developing into a manager/leader  
• Low or no people management challenge  
• Innovation/special projects/testing new ideas  
• Supporting leaders in senior roles | • Individual contributor  
• Special projects  
• Chief of staff  
• Innovation task force  
• Technical roles |
| **Question Marks**        | Low Maturity Low Agility | • Contributing as an individual expert  
• Technical challenges (provided appropriate technical skills are present) | • Individual contributor  
• Technical roles |
The overall score and nine-box matrix can be used to plan a future growth-oriented leadership agenda including: hiring new leaders; promoting, redeploying, or replacing current leaders; and targeted development (see Figure 7).

The state of smart growth in Asia

In 2012, Korn/Ferry conducted fourteen client engagements across China, India, Hong Kong, Singapore, and Malaysia on the topic of smart growth. As part of these assignments, the firm assessed the maturity and agility of 429 leaders, about thirty per engagement. Based on these cases, we now have a developing picture of the average Smart Growth Capacity and readiness in Asia (see Figure 8).

- In more than 85 percent of engagements (twelve out of fourteen), the client organizations had fewer T3 leaders than B3.
- The largest proportion of leaders, 31 percent, fell in the Reliable Professionals (low agility, medium maturity) segment. Only 3 percent were in the Wildcard group (high agility, low maturity).
- More Asian leaders show high agility (21 percent) than high maturity (18 percent).
- Asia’s technology sector had the highest SGC, while its industrial sector had the lowest SGC.

![Smart Growth Capacity across Asia](image)
Case Study: Technology/Services company headquartered in India

Growth challenge: This US-listed business grew rapidly during the business process outsourcing boom. With slowing growth, however, there is a need to evolve into a high-end technology solutions business that can compete with global technology consulting firms.

Findings from assessment:
- Low maturity scores overall, suggesting a shortage of leaders who can cope with organizational and strategic complexity in the business.
- Only 5 percent Growth Champions and 7 percent Growth Builders, suggesting a reduced capacity to create and scale the business in slowing markets.
- Most leaders are skilled as Growth Managers and Growth Takers, so they have emerging market savvy, but will struggle in the United States/EU.
- No Growth Enablers, implying a lack of leaders who can lead global functions.

Conclusion: This company will grow in line with the market, but not outpace competitors. Particularly as the business begins to depend more on US and EU customers, it will be challenged to open up and maintain a lead on growth.

Overall, Asia will struggle to accelerate SGC in the coming years. That brings us back to Jonathan’s situation and how he can think about building Smart Growth Capacity in his team.

Building Smart Growth Capacity

Intuitively, Jonathan is aware that many on his team are unprepared to drive smart growth. Completely changing the leadership team and bringing in new talent for every critical role is not an option. This is what makes the smart growth challenge so complex. For CEOs, it will feel like changing the tires of the car while speeding down the highway.
Jonathan gets a better handle on the extent of the problem and some potential solutions once he looks one level deeper into the organization and does a thorough assessment of the leadership talent available to him. In this case, he assessed forty-six leaders from the top two tiers of the organization and arrived at a matrix that looks like Figure 9.

His T3 is at 0.34 and B3 is at 0.42. Overall SGC (T3 x [1-B3]) is 0.20. This is in the mid-range against Asian consumer goods sector benchmarks.

In other words, as the market shifts from easy to smart growth conditions, his team is likely to track alongside other market participants near the median growth rate. His team is not, however, well positioned to outperform competitors.

The following conclusions about his team are clear:

- Overall agility is remarkably low. He must address this quickly, or his leadership team may buckle under the high degree of change and disruption. The fastest solution is to hire for agility and promote a few highly agile managers into leadership roles.

- B3 is the other problem for Jonathan. Having a B3 value greater than his T3 indicates a significant drag on growth. To get better traction he will need to bring B3 down quickly and decisively. The first step is to target a B3 level of 34 percent, equal to his current T3 percentage, which will require removing, replacing, or developing some of the leaders in B3. Now that he knows who they are, he can get started right away.

- Overall maturity is his silver lining. He has 77 percent of his leaders in the medium maturity range, a good place to start. An aggressive leadership development program that helps build maturity (and agility) can significantly improve his T3 score in a short time.
• Jonathan was planning to recruit some additional talent. He will likely need to hire four or five leaders well suited to growth creation roles. If he selects candidates who are high maturity/high agility, that will immediately impact T3.

• There are 22 percent of leaders in the center box, Growth Manager. With targeted development of some of these leaders over the next twelve to eighteen months, he can hope to further increase T3. He will need to implement a combination of executive coaching (drives maturity) and business growth projects (drives agility) to shape the team.

Overall, Jonathan can hope to take T3 to 0.40, reduce B3 to 0.30 and move overall SGC from 0.20 to 0.30 in the next eighteen months (Figure 10).

If he were to outline a plan like this to his global CEO and board, he would likely get the support and funding to drive such a transformation agenda.

There are several things for Jonathan to keep in mind as he embarks. First and foremost, this transition will not happen by accident. He needs a clear and well-articulated plan to go from Point A to Point B. Korn/Ferry’s work with clients has given rise to seven salient insights.

1. **Start early. Execute with intent.** Begin the analytic process before slow growth issues begin to surface in the business. Set ambitious goals, execute clinically, follow through quickly, and monitor frequently.

2. **Lead talent from the top.** Building growth capacity is the CEO’s job, and cannot be delegated to human resources or operations. The top team must be aware and in agreement with the action plan. Business meetings must have a talent agenda attached every quarter to review progress.
3. **Be brutally honest.** Picking the right people is half the battle. Size up leaders and their capabilities critically and honestly. Knowing where each member of the team stands on smart growth readiness leads to informed decisions.

4. **T3 leaders are valuable, but don’t treat them with kid gloves.** Retaining T3 talent is essential, but tough and inspiring challenges are the best motivator for T3. Giving them accurate feedback, development support, and opportunities for real achievement will go far in terms of retention.

5. **Tackle “low performance” leaders.** In emerging markets, where leadership talent is a scarce commodity, managers often overemphasize retention. But in a smart growth era, reducing B3 drag is as vital as increasing T3 lift. Everyone in B3 must have a development plan and clear goals. Targeted dismissals or demotions of those who don’t progress can make the difference between growth and stagnation.

6. **Hire with intent.** Always strive to recruit T3 leaders, not just competent professionals, into the business. Even if it takes more time, it’s important to assess candidates so you know exactly what kind of leader you are adding. In fact, one Korn/Ferry client has sparked notable improvement on SGC simply by sharpening the focus on the executive recruitment process.

7. **Replace feel-good training.** In pursuit of smart growth, executive training—typically involving brand-name institutions and professors—is a waste of time and money. Redesign development programs to enhance a leader’s exposure to markets, customers, and innovation. Encourage leaders to reflect on their own leadership maturity and agility. Increase development heat with more ambitious assignments or projects. The move from an easy growth mindset to smart growth mindset is not a feel-good process.

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The **Smart Growth Incubator**

Building SGC begins with making the top team conscious, engaged, aligned, and skilled around the issue of growth-focused leadership. This can be achieved fairly quickly using a mechanism we call the Smart Growth Incubator.
The Smart Growth Incubator is a three-day off-site program for senior leaders to unlock the full potential of smart growth in themselves, their teams, and their business. The program can be tailored to the specific needs and strategy of the business while ensuring that all the elements of smart growth are covered (see Figure 11).

Leaders prepare by reviewing research and other reading material, conducting an orientation discussion with facilitators, and taking self-assessments of agility and maturity. Facilitators might also assess their team effectiveness in advance.

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**Figure 11**
The Smart Growth Incubator program overview

<table>
<thead>
<tr>
<th>Pre-work</th>
<th>Day one</th>
<th>Day two</th>
<th>Day three</th>
<th>Follow-on</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRE-READ</strong></td>
<td><strong>INTRODUCTION</strong></td>
<td><strong>TIER 2 READINESS</strong></td>
<td><strong>CUSTOMER/ MARKET READINESS</strong></td>
<td><strong>PROGRESS MONITOR</strong> (optional)</td>
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<tr>
<td>- Smart Growth Leadership research paper</td>
<td>- Agenda setting</td>
<td>- Team review</td>
<td>- Key customer/segment discussion</td>
<td>- Monitoring mechanism</td>
</tr>
<tr>
<td>- Other pre-reading</td>
<td>- Expectations</td>
<td>- Initial hypothesis</td>
<td>- Help customers spur growth</td>
<td>- Accountability</td>
</tr>
<tr>
<td></td>
<td>- Personal introductions</td>
<td>- Discussion on members</td>
<td>- Changing the conversation</td>
<td>- Technology/Tools</td>
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<td></td>
<td>- Opening speeches</td>
<td>- Goal setting (SGL)</td>
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<tr>
<td><strong>ORIENTATION</strong></td>
<td><strong>MY READINESS</strong></td>
<td><strong>TIER 2 ACTIONS</strong></td>
<td><strong>STAKEHOLDER READINESS</strong></td>
<td><strong>COACHING</strong> (optional)</td>
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<tr>
<td>30 minute conversation with KF facilitators</td>
<td>- Assessment debrief</td>
<td>- Development actions</td>
<td>- Key stakeholders discussion</td>
<td>- Additional coaching for individuals (as required)</td>
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<td></td>
<td>- Deep dive into personal effectiveness</td>
<td>- Hiring plan</td>
<td>- What we need from them/they from us</td>
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<td></td>
<td>- Developing personal mission plan</td>
<td>- Redeployment</td>
<td>- Influencing and educating others</td>
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<td></td>
<td></td>
<td>- Exits</td>
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<td></td>
<td></td>
<td>- Other actions</td>
<td></td>
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<td></td>
<td></td>
<td>- Follow-on plan</td>
<td></td>
<td></td>
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<tr>
<td><strong>ASSESSMENTS</strong> (optional)</td>
<td><strong>TOP TEAM EFFECTIVENESS</strong></td>
<td><strong>CRITICAL SKILLS</strong></td>
<td><strong>BACK TO SELF</strong></td>
<td><strong>SKILL GAPS</strong> (optional)</td>
</tr>
<tr>
<td>- Self-assessment</td>
<td>- Are we operating as a smart growth team?</td>
<td>- Discussion on critical skill gaps</td>
<td>- Consolidate personal learnings and actions</td>
<td>- Development program around specific skill gaps (as required)</td>
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<tr>
<td>- Team assessment</td>
<td>- What do we need to do differently?</td>
<td>- Culture and organization mechanisms</td>
<td>- 90-day mission plan</td>
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The information gathered helps shape the design and delivery of the three-day session, which will cover personal leadership, team effectiveness, a Smart Growth Capacity estimation of tier two (leaders reporting to the top team), and action plans to spur growth and build SGC.

Follow-ups can include monitoring progress, coaching selected individuals, and, when needed, creation and implementation of a development/transformation program to increase levels of agility and maturity throughout the organization. Such steps are worked out in detail during the three-day program.

Once the top team is aligned on the growth path, this process can be cascaded into different lines of business, functional teams, or regional and country management teams. Designed and executed well, the Incubator process can activate growth consciousness in the top two hundred leaders of a global company within four or five months.

**Conclusion**

Boards are conscious that easy growth is over. For the most prepared companies, this has a positive side: when things get tough, the tough will emerge from the crowd. But to stay there, they must make leadership the top item on their global growth agenda.

Korn/Ferry’s smart growth research provides a new framework and language for investigating how leadership is linked to growth. It may finally provide investors and managers with the much-needed analytic tools to ascertain the true value of leaders and leadership teams.

Investors, boards, and the stakeholder community will continue to push management teams to quantify and benchmark talent assets to support evidence-based decision making, as they should. Businesses that excel in this area of competence will see real advantage in the marketplace—to paraphrase Warren Buffett—as the others are left dangerously exposed by the retreating tide of growth.
About the author

Indranil Roy is Managing Director, Asia Pacific for Korn/Ferry’s Leadership and Talent Consulting business, based in Singapore.

This paper was prepared with support, assistance, and collaboration from the following Korn/Ferry partners: Jacqueline Gillespie, Senior Partner, based in Singapore; Pushp Gupta, Managing Principal, based in Singapore; Russ Rao, Managing Principal, based in Shanghai; Nishith Mohanty, Senior Consultant based in Gurgaon, India; and Ankita Srivastava, Consultant based in Gurgaon, India.
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.

About Korn/Ferry International
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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