

Working at dual speeds

**Sustaining growth in
Asia post the
financial crisis.**

Introduction

For organizations, the route to short-term success and long-term growth does not always follow the same road. Today, the need to navigate an effective middle road has never been greater for executives in Asia. They must maintain momentum in the region's exceptionally competitive market—but without sustainable strategies, they will speed toward a dead end.

Throughout the late 1990s, many multinational organizations expanded into Asia. During this “easy growth” period, demand overwhelmingly outstripped supply and businesses expanded readily into new, untapped markets. After the global financial crisis in 2008, however, economic growth slowed and is expected to remain relatively flat over the next decade (World Economic Outlook, International Monetary Fund; 2013). Korn Ferry calls this the shift from “easy growth” to “smart growth”: with flat GDP, leaders must be more analytical and strategic about where and how they can carve out new markets or expand (Roy 2012).

This two-speed environment has significant implications for how executive-level leaders will need to be identified and developed in the future.

Korn Ferry used its database of leadership assessments to compare the best-in-class executives in Asia from the easy-growth era before the global financial crisis (1998 to 2005) and after (2009 to 2013) to see if and how top business leaders were adjusting their style to this “smart growth” environment. Our executive search assessment examines emotional competencies and thinking style, and our sample included both expatriates and executives local to Asia.

We also conducted focus groups and a follow-up questionnaire with 27 local and three expat executives to gather what they see as the central challenges in this new environment and how they balance short-term and long-term goals. Our aim was to provide recommendations for how organizations can proactively prepare leaders to address this challenge.

Decision making in a new environment.

When looking at thinking style, we found that the largest difference between the two time periods was a reduction in the complexity score, suggesting that the 2009-2013 group analyzes less information and adopts a less methodical approach to reaching decisions (see Figure 1). This shift could mean that executives don't dive as deeply into details and tend to spend less time playing out possible long-term consequences of each decision.

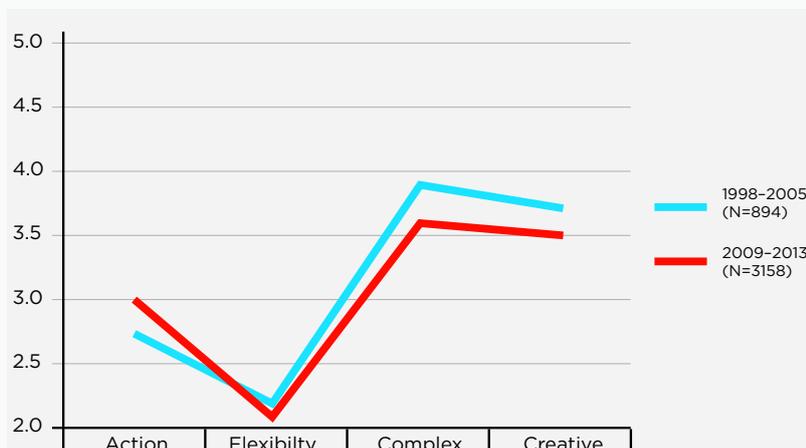
Likewise, an increase in focus on action suggests that executives are operating with greater urgency and prioritizing pragmatism when making decisions. A reduced emphasis on creativity indicates that executives are also now focusing on a more narrow set of options.

Taken together, these results indicate that post-crisis executives are less likely to explore ideas widely before reaching decisions compared with the before-crisis group. Their emphasis rests less on the process of coming to the decision and more on ensuring a decision gets made promptly. The question this raises is whether this is best balance for considering short term and the long term.

In the post-crisis environment, it appears that executives favor quick decision-making rather than contemplating the quality of the decision.

Figure 1

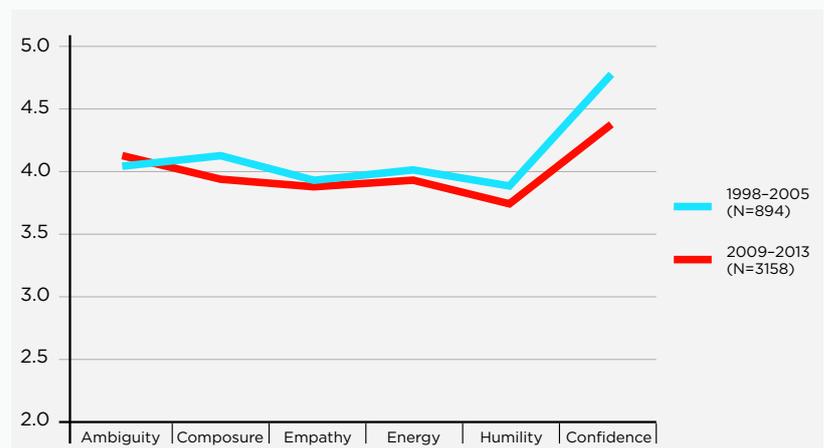
Best-in-class thinking style profiles for executives in Asia, pre- and post-crisis.



Next we looked at the assessment of emotional competencies (Figure 2) of the same two groups of executives in Asia. Post-crisis executives showed slightly higher tolerance to ambiguity overall, indicating that they have perhaps grown accustomed to managing amid uncertainty. At the same time, overall confidence scores are lower—not unexpected given the exceptionally challenging and risk-averse environment of 2009–2013. Severely reduced confidence, however, could adversely affect an executive’s capacity to envision, develop, and implement a long-term strategy in today’s competitive market.

Figure 2

Best-in-class emotional competency profiles for executives in Asia, pre- and post-crisis.



The pressure to perform.

Having identified these significant trends, we spoke to 30 executives, working for multinational corporations in Asia, to understand what this meant for their leadership contribution and career development on the ground. The majority of the executives (27 out of the 30) comprised of local employees and represented 22 consumer, technology, and life sciences companies.

The executives reported spending more time on operational matters than before. They still value the opportunity to make strategic contributions to the business, but there is immense pressure to deliver on short-term objectives. They also perceived a low tolerance for failure in their organizations. As a result, this reduced their confidence, particularly for taking big innovative steps and making comprehensive long-term plans; the consequences of failure were simply too great. The executives also felt challenged by an increased focus on relationship building across and within levels of the organization. They felt they could be better equipped with the interpersonal skills or experience required for such in-depth relationship building and collaboration.

The same group of executives in Asia also was asked to select three items from a list of 15 as most important to their job satisfaction. The aggregate results indicated that contributing to strategy is essential to their personal satisfaction and career success. Yet often it is not the priority.

Several executives expressed a need to balance both short- and long-term objectives, yet the very concrete negative impact of missing short-term targets blotted out any time and energy for strategic or innovative thinking about how to drive long-term growth.

Our findings suggest that the post-crisis business environment has diminished executives' confidence in their long-term strategic plans. And yet to thrive in today's "smart growth" environment, executives must maintain focus on long-term strategy even in the face of twisting and turning market conditions.

The three most important factors for executives were:

1. Opportunity to influence the strategic agenda of the organization.
2. Satisfaction with the level of development stretch in role.
3. Alignment of strategy and values in the organization.

The leadership experience in Asia today

During our focus group discussions, three key themes emerged that align to the trends shown in the assessment results in Figures 1 and 2:

Strategic disorientation. Executives are aware that they are not operating as strategically as they should be—but with the intense pressure to deliver, they are prioritizing short-term objectives.

Failure intolerance. Executives feel tension between a focus on innovation as well as reduced tolerance for failure, limiting their confidence in trying new approaches for longer-term gain.

Inclusion gap. Executives must spend more time building relationships to facilitate collaboration within and across functions. However, they felt that they were falling short on this front and needed different communication and influencing skills.

Building the capacity to shift gears.

The challenge for business leaders in this difficult environment is to move their executives out of “survival mode,” which is characterized by reactive thinking and actions, and into “thrive mode,” in which they can balance the short- and long-term priorities required to drive sustainable growth. Organizations that can develop such leaders will put themselves in a better position for innovation and growth that provide long-term advantage. They also will have a deep bench of balanced leaders to lead the organization into the future.

Understanding the current state of leaders in an organization is a crucial first step. Is their individual strategic focus too short-term, too long-term, or balanced? A valid and reliable assessment tool can provide insight into an executive’s experience and tendencies in terms of thinking style. From there, leaders can target development toward finding a better long-term/short-term balance.

Executive development traditionally focuses separately on the skills for managing short term and longer term. But what our research suggests is that an ability to switch between the two is essential, and that component should be built into future leadership development programs. This should help executives understand how they currently prioritize short and long term, alleviate frustration, and then build techniques for maintaining a more suitable balance.

Conclusion

Just as the business environment is no longer experiencing a linear, easy growth period, a one-size-fits-all approach to leadership potential identification and development will no longer result in the leadership capacity and performance required for organizations to stay ahead in the competitive Asian market. Research suggests that since the global financial crisis of 2008, executives are feeling pressure to prioritize short term over long term to remain competitive.

However, our research with a group of executives in Asia suggests that impact on strategic direction of the organization is a key factor influencing their overall job satisfaction. As a result, executives are feeling frustrated with their perceived limited time and support from the organization to focus on strategic, long-term initiatives. This tension is often tiring and can lead to executive burnout or turnover, which ultimately has a large impact on the long-term success of an organization.

By taking proactive steps to understand and balance executives' focus, organizations can increase the proportion of executives who thrive.

References

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