



## HARNESSING DIGITAL FORCES IN ASIA

- While the digital revolution may trace its beginnings to the United States, its rapid evolution is increasingly a global phenomenon. In fact, Asia has become a rising epicenter for digital innovation. Not only has a new generation of Asian companies gained prominence in their home markets, but many of them have gained a foothold across the region and some have global ambitions.

Probably the most well-known of these companies is Chinese e-commerce giant Alibaba, whose initial public offering (IPO) in September 2014 was the largest in the world to date, pulling in an eye-popping \$25 billion. While it has become one of the world's largest smartphone manufacturers, privately owned, China-based Xiaomi is first and foremost a digital services company that excels at monetizing the digital ecosystem it has built — evidenced by its sky-high valuations in recent investment rounds. The Japanese Internet retailing company Rakuten, one of the highest-grossing sites in the world, has expanded aggressively outside of Japan via a series of acquisitions, including Buy.com in the United States. Korea-based Kakao Corp, the company behind the free mobile app KakaoTalk, has more than 140 million users and is available in 15 languages. In addition, more traditional organizations have also been raising their digital capabilities, evidenced by the giant leaps made in mobile banking over the past few years as well as the increasing demand for senior digital leaders in almost every industry from consumer packaged goods to pharmaceuticals.

The success of these companies has proven that there is no one single approach to building a digital business. Furthermore, while important lessons can be drawn from the experience of digital businesses that grew up in the United States and Europe, ideas and approaches that have proved successful in the West need to be adapted, refined or, in some cases, re-invented to make them relevant in the Asian context.

To explore how Asian companies are embracing digital transformation and how the Asian approach to digital compares to the West, Spencer Stuart convened C-level executives from a broad spectrum of consumer-facing industries in several Asian markets (Hong Kong, Shanghai and Singapore) for a series of roundtable discussions. In all, 78 senior leaders across industries (e.g., fast-moving consumer goods, banking, insurance, telecommunications and e-commerce) participated, including regional and country leaders, general managers, and regional heads of information technology, marketing and human resources. We structured these discussions around three key questions:

1. What does it mean to be best-in-class in digital?
2. What lessons can be drawn from the experience of companies that have been particularly successful in harnessing the power of digital?
3. How can companies that aspire to be best-in-class in digital identify, retain and groom the talent they need?

The answers revealed many areas of common ground between the West and Asia in terms of the drivers of digital priorities and complexities of full-scale digital transformation, but also highlighted subtle, yet critical differences between the geographies, including cultural perceptions about failure, the optimal balance between central versus local decision-making, the viable sources of talent and how best to retain it.

## What does it mean to be best-in-class in digital?

It is important to first define what digital really means. At Spencer Stuart, we define digital as a set of enabling technologies that allow businesses to reach and engage customers more effectively and efficiently, enhance the customer experience and even transform business models.

Like many of the executives with whom Spencer Stuart has spoken in the U.S., executives participating in the Asian roundtables were careful to point out that “being good at” digital is not about developing a set of digital tools and asking what can be done with them. Rather, it is about using digital technologies to address

fundamental business issues and strategic objectives, particularly those directly connected to the customer. “Digital enables us to build communities of people with like-minded aspirations that cut across geographies and cultures and engage with them,” explained the Asia CEO of a consumer goods company. “Once you achieve that engagement, the business will follow.” The APAC marketing director for a global sports apparel brand simplified the philosophy driving digital efforts today: “Everything starts and ends with the customer.”

Another key theme that emerged from the Asian roundtables, similar to our discussions with U.S. companies, is the critical importance of leaders

who can embed digital capabilities into the operations and culture of the company. According to the head of emerging markets of a leading social media company, “You have to ask yourself, as a leader, ‘to what degree have I fully leveraged the capabilities of digital and all its aspects and infused it through the core operations of the company?’ The second piece is the cultural transformation that comes with that. I think anyone who thinks about digital in purely technology terms is really missing that important dimension. There is no way to separate these two things.”

Such full-scale cultural transformation requires employees to adapt to new ways of working and communicating with customers, suppliers and others

outside the organization. And this shift has implications for talent, processes and organizational structure. “Digital transformation has an impact on the culture, the way people operate and

create structural overlays that promote the cross-fertilization of ideas across the various geographies. At one company, country leaders take turns during regional meetings outlining

Businesses undergoing a digital transformation, regardless of geography, also face similar talent issues. They need digital technology experts as well as digitally savvy general managers and functional leaders. Specifically, the chief marketing officer (CMO), chief information officer (CIO) and chief technology officer (CTO) roles must evolve and the executives in those roles need to collaborate on digital objectives. Digital business models also may spur the creation of new roles, including chief product officer. In addition, because digital strategies have implications across the value chain from sales and marketing to customer relationship management and supply chain operations, companies need to assemble teams that understand how digital impacts the entire enterprise. Succeeding in digital requires a willingness to look outside one’s company and industry for ideas — and, potentially, for talent.

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— Head of emerging markets of a leading social media company

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even the kind of people companies attract. They are more data-orientated, more agile and faster,” added the social media leader.

five things they have learned since the last gathering, and discuss ways in which relevant insights can be adapted to, refined and rolled out across other markets.

Organizations that are best-in-class understand that digital is not a one-size-fits-all proposition, particularly in Asia where each market is very different in terms of culture, history and digital readiness. Developed countries such as Korea, Japan and Singapore, with almost universal levels of smartphone adoption, are at the forefront of embracing and pushing the envelope on digital technologies, while the rapidly developing markets of China, Indonesia and India paint a far more diverse and complex picture. For instance, China itself is a macrocosm of widely contrasting markets, from the sophisticated cosmopolitanism of Beijing and Shanghai to the more emerging natures of Hangzhou and Chongqing. This variance means it is important to delegate decision-making authority to local teams. “Each market needs to define its own targets and the speed at which it rolls out new products and services,” said the head of marketing of APAC of a global sporting apparel company. At the same time, companies need to

### **What lessons can be drawn from the experience of companies that have been particularly successful in harnessing the power of digital?**

The digital strategy should be rooted in strategic business objectives and customer impact, not driven by specific digital technologies or digital roles. Roundtable participants universally acknowledged that digital transformation can be fraught with pitfalls and difficulties. Executives need to lead the charge on a variety of fronts, including people, organization, process and culture.

Digital transformation efforts are nearly always painful for traditional companies, regardless of geography. Disruptive and complex, digital transformation must be driven from the top. The digital strategy should be rooted in strategic business objectives and customer impact, not driven by specific digital technologies or digital roles.

The roles of the CMO and CIO are merging in a way we haven’t seen before. The advent of programmatic advertising, new CRM systems and the ability to track each program or lead are creating new technology burdens for the CMO. Combine this with data and analytics, and the role demands that CMOs use tools that go beyond those for media and creative. At the same time, CTOs must learn and implement new technologies and change the way they implement and test releases. Agile methodologies, A/B testing and increasingly shorter release cycles place cross-business demands on the CTO. As a result, collaborative leadership skills have become even

more important. Because mobile technologies and in-store systems are generating new data, security and privacy issues are coming to the fore — and present the risk of damaging company reputations if mishandled. These trends are all being felt in Asia as digital creates new opportunities.

When established organizations attempt to build digital capabilities alongside their traditional business, they often run into resistance from individuals and groups that feel threatened by change or shifts in priorities. Leaders need to find ways to remove obstacles so that digital businesses or initiatives have a chance to grow roots, which includes empowering leaders of digital initiatives or businesses with decision-making authority, allocating an appropriate budget and providing visible support from the highest levels of the company. The success of the digital business must be positioned as an organization-wide priority rather than a win over the legacy business, and incentives need to be created for faster collaboration across business units and functions to improve the customer experience.

The CEO and the board must clearly communicate the urgency of embracing digital initiatives. They can do this by setting the appropriate key performance indicators and by becoming visibly involved in hiring decisions for senior digital talent. Boards have a significant influence on CEO behavior, and sometimes the board makeup will need to change in order to achieve the right digital focus. Many companies in both the West and Asia have elevated digital to the board level so that its threats and

opportunities are adequately reflected in and woven into the overall business strategy. As a result, demand for so-called digital directors has accelerated. Yet, as many boards have discovered, simply recruiting a digital expert does not necessarily “solve digital” for the business. Companies that carefully define what digital means for the company — e-commerce, digital marketing, mobile payments, analytics and data — have proven themselves better positioned to identify the director profile and digital expertise that will be most valuable in the boardroom. Beyond the relevant digital expertise, many companies have found that a director bringing broad-based business acumen and preferably hands-on commercial experience at a profitable company is likely to be much more effective in the boardroom.

In its infancy, the digital business may need to be separated from the legacy business so it has the freedom to establish the right culture, incentives and organizational structure. Creating separate digital operations based in Silicon Valley or other technology hubs is a strategy many traditional companies, including Walmart and ING, have pursued. This practice has also worked well in China. One executive noted: “When I formed our mobile team, I separated it from the rest of the company, providing it with dedicated resources, a dedicated team and the authority to come up with its own sales strategy. Today, we are probably one of the best-in-class at mobile in China. Fifty percent of our orders come from mobile.”

A potential hurdle for Asian companies in their digital transformation is overcoming the fear of failure. Successful digital businesses foster a culture of calculated risk-taking and a willingness to experiment and learn from failure. Because it is relatively easy to shift gears when a particular strategy does not pan out, failures can become valuable learning experiences. While there is truth to the perception that Asian cultures are less accepting of failure, there are notable exceptions. The HR head of one of Asia’s largest and most prominent e-commerce retailers proudly treated its “billion-dollar sale day” — during which traffic was so heavy that its website crashed, resulting in disgruntled customers and bad press — as a learning experience rather than a failure. The executive has been reported as saying that the crash was “the greatest thing our business has ever been through. We learned so much about our capabilities, how we work, how we expand.”

A successful digital business will often grow more quickly than the traditional business, sometimes taking sales away from it. But this does not mean the traditional business should be neglected. As the Asia CEO of one of the world’s largest technology companies pointed out, “One of the key challenges is to find the right mix between traditional and digital channels, particularly because the latter can cannibalize the former.”

## How can companies that aspire to be best-in-class in digital identify, recruit, retain and groom the talent they need?

While demand for digital talent is intense globally, approaches for sourcing and attracting talent that are considered best practices in the U.S. are simply the cost of entry in Asia. This is because the overall talent landscape (even without factoring in digital) is already highly complex and competitive, especially in high-growth markets like China, India and Indonesia. However, the following talent practices apply well to both Asia and the West.

**1. Look for strong leaders and effective change agents with a collaborative style, not just digital experts.** Simply bringing technical leaders on board is not sufficient. Companies should look for true change agents who can win the hearts and minds of employees and help the whole organization become more digitally aware. Senior digital talent also need a firm understanding of how new strategies and approaches can contribute to top-line growth. Because digital strategies are unfamiliar to the rest of the organization, a digital leader needs to embrace a collaborative working style that includes educating peers from the legacy business in a non-threatening manner.

**2. Use senior management to sell the opportunity to digital leaders.** The demand for digital talent is already intense and will escalate further in Asia. Recruiting these individuals may call for different approaches and greater flexibility. Attracting senior-level talent may require an all-hands-on-deck

urgency at the C-level; for example, the CEO of a major U.S. retailer said he will get on a plane and travel wherever needed in order to recruit a candidate for the senior digital team. Another executive, the international CEO of a China-based digital services player remarked, “I work 18 hours a day seven days a week, and a big part of it is spent on interviewing candidates, finding the stars and then convincing them to come on board.”

**3. Be willing to hire outside of your specific industry.** Consider hiring from other industries, especially if that industry is ahead of the curve with respect to digital innovation. “If you are in a consumer business, hiring a loyalty or a customer relationship management (CRM) person from financial services makes a lot of sense because the industry is much further along in these areas,” explained one leader. Hiring outside the industry is not without challenges, however. Be alert to potential cultural differences that characterize various industries, and don’t allow them to become stumbling blocks. For example, one luxury apparel company almost

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rejected a star digital candidate based on his “terrible brown suit.” The focus should be on skills and capabilities — the nuances of an industry often can be taught once the individual is on board.

**4. Be keenly aware of the evolving roles of the CTO, CMO, CIO and chief security officer (CSO) and how they interact with one another.** As digital becomes increasingly embedded in all aspects of business, traditional leadership positions also need to change. CIOs will need a better understanding of front-end systems and user interfaces rather than focusing solely on back-office operations. CMOs will have to become increasingly strategic, thinking more like general managers responsible for driving top-line growth. They will also must be far more digitally adept as they wade into cross-channel marketing, CRM and data analytics — and they will need to partner with IT to select the best infrastructure for enabling digital strategies. CTOs will be more tightly integrated with business decisions and will enable technologies that will help improve customer retention and conversion. This will change the way they are measured and will also change the competencies that will make them successful in their career. In light of recent high-profile security breaches, CSOs will likely become vital members of digital leadership teams.

**5. Build a team of people who complement each another’s skills and work together effectively.** It is rare to find a single individual with a broad spectrum of digital skills, which is why companies that are looking to fill a particular leadership position in the

digital space should consider how that individual will be supported. A company looking to improve its capabilities in acquisition marketing, for example, should consider not just the capabilities of the CMO, but also the skills of the CIO and CTO because strong acquisition marketing requires sophisticated back-end CRM and analytics, as well as intuitive front-end user interfaces. Because of the interdependencies, it is important to have candidates for new digital roles meet with the relevant technology, functional and business leaders.

**6. Assimilate new employees into the culture.** It is important that cultural induction be a core component of any onboarding of new employees. If new executives understand and are comfortable with the culture, they can quickly become contributing members of the organization.

### The Asian experience

As companies in Asia increase their investment in digital strategies and look to transform their organizations to compete in a digital world, many will look to the experience of digital pioneers, including those in the West. Here are some factors that are critical to success in Asia.

**Be sensitive to the cultural nuances of Asia.** Innovation in Silicon Valley is rooted in a culture that accepts failure and experimentation as ways to iterate quickly. In Asia, such public failures are still considered somewhat taboo, especially in countries such as China, Japan and Korea. While Asian companies like the aforementioned e-commerce player are learning how to embrace failure, others will need to start small in this cultural shift.

The solution begins with communication and a slight adjustment of the mindset. As the chief strategy officer of a global Asia-based telecommunications provider explained, “We don’t encourage failure, but we look for people who are creative, who can learn and who are willing to try something new.” Many Asian companies also must temper the built-in bias against “digital people,” who often are viewed as too fast, rash and provocative for more traditional organizations.

**Be creative and aggressive in career development.** Below the senior level, retaining digital talent can be especially challenging because these individuals tend to move frequently, following the next exciting opportunity. In order to maintain a deep bench of individuals with digital skills, companies need to find ways to keep the work fresh, interesting and rewarding for employees. In many Asian countries, the opportunities for career development and recognition by peers and superiors far outweigh monetary rewards. Potential approaches include frequent job rotations or job exchanges, creation of a more granular set of titles to enable more frequent promotions and salary increments, mentorship programs, flexible work arrangements, or even the creation of an “innovation fund” that finances new ideas.

### Separate the hype from the reality.

It’s easy to be wowed by external talent operating at the cutting edge of digital, but executives must be grounded in the business to truly have an impact. One participant

shared the example of a young, digitally savvy executive recruited to join the board of a more traditional business. The individual had the digital expertise but lacked the broad range of experience to see the implications of digital on business strategies and operations, limiting his ability to contribute effectively at the board level.

Look beyond the region to find top Asian talent. In many Asian countries, top digital talent has dispersed to markets where their skills are highly rewarded and the opportunities are greater — often to the West. Now that Asian companies are advancing their digital agendas, they may need to look for ways to lure back that talent to their countries of origin. Other organizations have looked within their own ranks to inject talent into Asia. “We will try to bring some of our Chinese trainees who were sent overseas back to China, as well as bring a few experts from Australia who are Chinese and can speak the language; others are also returning to China from the United States and Canada,” said one panelist. It is vital that this talent understand the complexities of Asia and its cultural nuances — organizations should not expect that deploying Western executives who have performed well in Silicon Valley to replicate that success in Asia without a strong knowledge of the region.

## Conclusion

While digital forces have become pervasive and affect virtually all businesses globally, there is no singular approach to successfully harness these forces. Asian companies that are considered top digital players adopt proven methods, but also tailor and, in some cases, reinvent solutions for their specific customers, cultures and geographies. At the same time, strong leadership and a commitment from the top are critical and necessary conditions for digital success. Organizations that are able to adopt universal best practices and adapt lessons learned while staying fervently customer-centric stand to maximize the digital opportunity on a global stage.

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