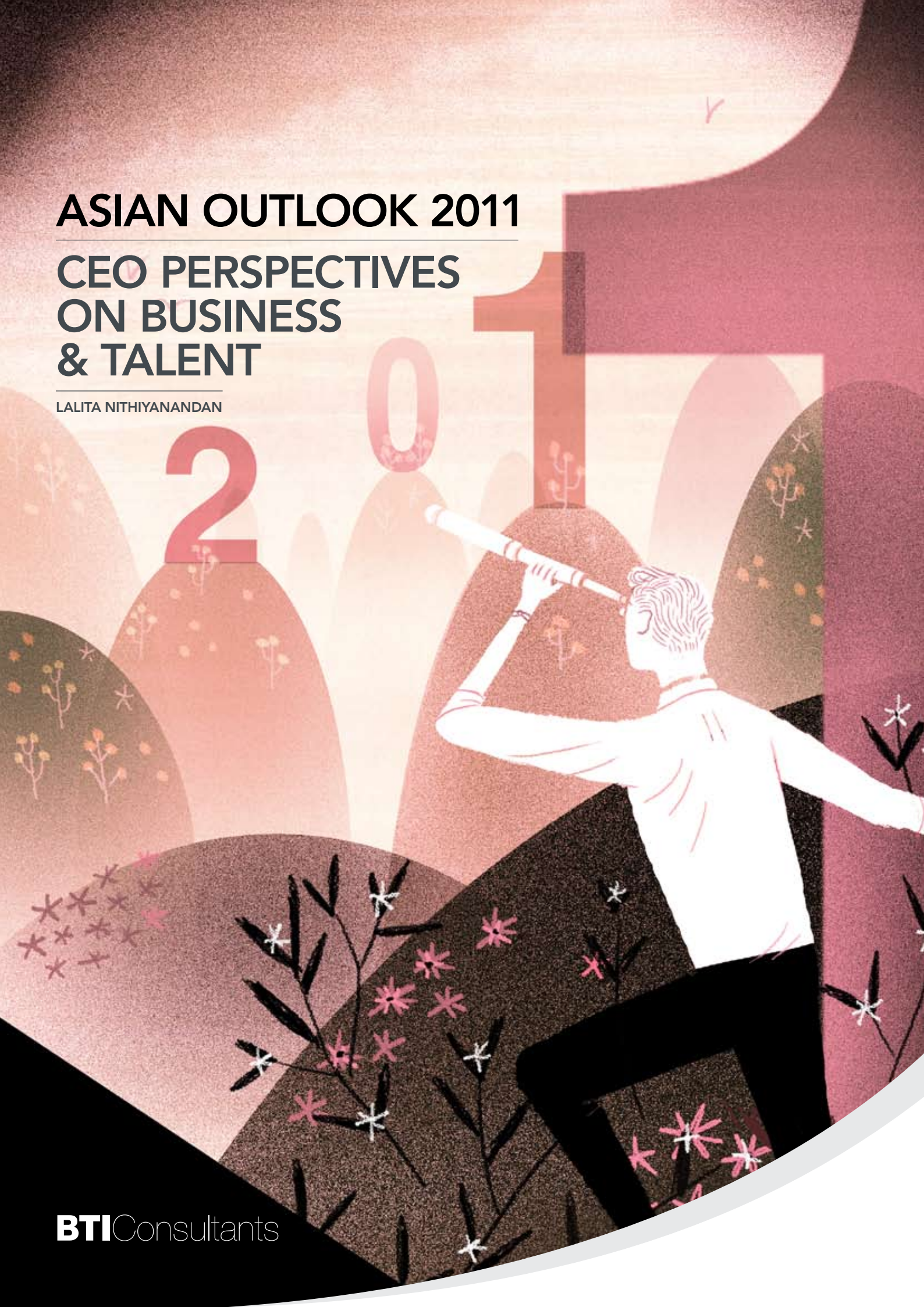


ASIAN OUTLOOK 2011

CEO PERSPECTIVES ON BUSINESS & TALENT

LALITA NITHIYANANDAN



CONTENTS

PAGE 3	Introduction
PAGE 5	01. What the future holds – the Asian economic and business outlook for 2011
PAGE 9	02. People – finding them, holding them, and managing them
PAGE 15	03. The things that matter – priority issues for Asian business in 2011
PAGE 18	04. Who's going to crash the party?
PAGE 21	Conclusion
PAGE 22	In their own words

METHODOLOGY

This report by BTI Consultants canvassed the views of business leaders and senior executives from across Asian economies including China, India, Malaysia, Thailand, South Korea, Singapore and Indonesia. The interviewees were sourced from a wide range of industries including financial services, IT, construction, manufacturing, consumer electronics, retail, agribusiness, entertainment, and healthcare. They were asked to comment on a series of questions covering the economic outlook for 2011; the acquisition and management of talent; the main business priorities, and leading business concerns.

INTRODUCTION

I have been in business in Asia for the past 30 years and I never received such mixed feedback about the future as recently. I decided to reach out and speak with a wide range of business leaders to get a 'quick pulse' on what CEOs in Asia feel is going on for their businesses in 2011.



LALITA
NITHIYANDAN

At first glance, the only common denominator, I found was that most CEOs were "cautiously optimistic" about 2011. In other words, most leaders were not going to hire or spend except for key roles and expenses and preferred to consolidate their business.

I talked to several CEOs about this sentiment and their take on what was happening. How sure were they about their assumptions for 2011? One CEO said that he has never been so unclear about an upcoming year as he is right now. One astute leader I spoke to, Lim Yeow Khee, Managing Director of LYK Aerospace Singapore Pte Ltd, gave me an explanation that struck a chord. He described this period we are experiencing as the "age of the missing information". He said that we have a lot of information coming at us in every direction and yet we are missing out important signals in all the "noise". He added that "important fundamental ideas may get missed out because the originators of the information we receive have their own agenda, which may be more than just sharing ideas. Often, there are commercial and political motives. Not all are bad, but we must be aware of them."

The businesses that are thriving spoke about listening to their customers and making decisions that are sustainable not just for the business but also for all parties involved. When coping with uncertainty, generally we try to go back to find our core or what matters, perhaps this is what these businesses are doing. Maybe regardless of what goes

on in the world today in terms of global trends, the businesses that thrive in these times will be those that focus on what's core thus cutting out the distractions.

In answer to my question on what CEOs can do to prepare and cope with this level of uncertainty, Sandip Das, CEO of Maxis in Malaysia provided an insightful and progressive perspective. He said: "CEOs need to spend time with futurists , young people and those who are in the front line of their businesses. These people have view points and ideas that can assist CEOs in opening up new vistas in their thought process."

On a more global perspective, most CEOs acknowledge that Asia has more opportunities relative to Europe or the US, but they worry if the momentum built in Asia will be sufficient to fuel the global economy. Despite good performance locally, some US-based businesses have scaled back in Asia because of problems in other markets. There is also the question of merger and acquisition looming in the background for some organisations, as consolidation may be their only way of surviving these uncertain times.

The backdrop in Asia remains very dynamic as many countries within the region are still developing. Fredrik Haren of interesting.org and author of The Developing World has spent the last few years interviewing business leaders in 18 developing countries. He says: "A developing country is one that is always growing; one in which its inhabitants do not limit themselves by saying that they are done. In a rapidly developing world the worst thing you can call yourself is "Developed". This is true for countries, but also for companies."

Perhaps this is Asia's saving grace. Despite the backdrop of uncertainty, many leaders we spoke with expressed a sense of curiosity and an upbeat approach to their view of business in Asia. Cautious maybe; but there is an innate confidence that Asia will find a way no matter what.

LALITA NITHIYANANDAN

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01

WHAT THE FUTURE HOLDS – THE ASIAN ECONOMIC AND BUSINESS OUTLOOK FOR 2011

The Asian market presently stands out like a beacon in a sea of economic difficulty across the globe.



While Europe remains burdened by sovereign debt issues and a weak economy, and the United States is emerging at a glacial pace from its economic woes, the Asian region is still witnessing remarkably buoyant conditions.

That's not to say that everything is rosy. There are sharp disparities between regional economies, unemployment in some centres is uncomfortably high, and in many countries even a slight fall-off in economic activity can give rise to major social and economic dislocation. But generally, the Asian region is performing well, driven in large part by the phenomenal resilience of its two powerhouse economies – China and India.

The general outlook among business leaders in the region suggests that the Asian economies will remain on a sound economic footing, will continue to outperform North America and Europe, and will be the springboard for a steady and sustained business improvement.

In some sectors, there is a high level of confidence that the turnaround in conditions will be dramatic; that 2011 will be a watershed year of double-digit growth. Others are somewhat less upbeat, believing that the tentative improvement that emerged in the second half of 2010 will continue throughout 2011 at a moderate, but unspectacular rate.

In China, for instance, there is concern that the headstrong pace of economic growth will give rise to inflationary worries, pushing up prices of raw materials and labour, and in the process exporting inflation to the rest of the region.

As the chief executive of a large agricultural exporter in China noted: “The latest government moves to control property prices are not going to be effective because implementation is a real challenge. Prices for commodities such as corn and soybeans are going up because this year’s domestic production is lower, and demand continues to grow. This will lead to food price inflationary pressure.”

Yet the overwhelming view is that China will continue to grow strongly, even if the government is required to trim activity to curtail an inflationary outbreak.

One international CEO from a European-based health devices manufacturer sees it as an unfolding global recovery with Asia leading the pack: “Overall, we are seeing a slow improvement in world economies, with Asia becoming more positive, ahead of Europe, and Europe more positive ahead of the United States and other emerging nations.”

And from the head of a supplier to the Chinese automotive industry, “We expect that the Chinese market will grow at a reasonable rate as the overall recovery gets stronger.”

But in the booming market for Asian arts, there is unbridled optimism, as **John Nurminer, CEO of fine arts logistics business Prima Group** notes: “In the US and Europe, our business will be stable but there will be no growth. Yet our Asian business will grow by 25 to 30% next year. We see China as the growth engine and India becoming more important.”

It’s also noted that the imbalance between Asian optimism and European despondency will likely see some investment that was targeted for the European Union redirected to Asia.

“Companies will be more likely to invest in Asia than in EU until those economies regain some sort of stability,” one CEO says.

In India, the sentiment is not quite as effusive as in China but still extremely positive. Most believe that 2011 will see steady and strong growth, as the economy tracks an upward trajectory out of the downturn. Many CEOs are looking to a marked improvement over 2010, with firms anticipating above average growth.

In the heady telecoms sector, there is a bullish sentiment, reflected in the views of the VP of one of India’s major carriers: “India, as a country, might see double digit growth.

“COMPANIES WILL BE MORE LIKELY TO INVEST IN ASIA THAN IN EU UNTIL THOSE ECONOMIES REGAIN SOME SORT OF STABILITY”.

As far as the telecom sector is concerned, the wireless segment will experience lukewarm growth but the fixed line sector will grow, and internet services will grow even faster.”

The head of a leading supplier of telecommunications equipment and network solutions says some equipment purchases may fall as competition intensifies and margins are reduced. The building materials sector is anticipating a continued positive trend, with growth at a similar level to 2010.

Elsewhere in Asia, the emergence from recovery is proceeding but not at break-neck speed. In South Korea, for instance, the economic recovery that commenced in 2010 will continue in the coming year, but few expect there to be any rapid turnaround.

Singapore is experiencing a welcome lift in activity across sectors including IT, tourism, hospitality, medical, healthcare and finance. The head of a leading tourism venture says: “With regard to the hospitality industry, the market has been quite buoyant and things are looking good. Last year (2009) was a soft year, this year has been a good year and 2011 should improve. We are quite optimistic about it.”

Another Singapore-based VP of a global IT solutions firm says the entire region is experiencing uplift: “The market is picking up regionally with sizable deals returning to the table. Thailand and Australia have shown the most growth. Taiwan has also picked up a fair bit, and other growth countries are China, Korea and Indonesia. ”

In Malaysia, there is a more cautious attitude, with business leaders seeing 2011 as generally flat with the exception of sectors such as education, healthcare and petroleum, which are experiencing strong growth. This is how one CEO sums it up: “It will probably still grow but at a slower pace and it could turn more positive later in the year. Things are definitely uncertain.”

Another makes the point that Malaysian businesses will have to be more focussed on the Asian region to assure their economic prosperity: “Given the situation in the US economy, the Malaysian domestic market will not get any spin-off and hence Malaysia will need to focus on Asia as it steers a course through 2011. The demand in Malaysia held firm during the recent economic woes and I would expect that with a greater Asia-focus, Malaysia could be well-placed in 2011.”

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FROM RECOVERY
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Sandip Das, Executive Director & CEO of Maxis Communications, Malaysia's largest telecommunications carrier, notes a distinct Asian mode to coping with economic challenges: "Asia will be a little more upbeat, because there are basic infrastructure gaps and Asia has demonstrated a lot more creativity in times of need. I also feel materially people are less affected and they are more philosophical about life, particularly when the chips are down. Conspicuous consumption will be moderate."

The chief of a Japan-based glass manufacturing plant in Thailand notes that with Chinese wages rising sharply during 2010, Thai wages are much more attractive, providing an important lift in the country's competitiveness.

Indonesia's remarkable economic fortunes look set to continue across many sectors but notably in manufacturing, with the **Managing Director of Delphi Automotive Systems, Gunardi Iskandar** predicting that profits will grow strongly in 2011, and noting that the country is proving extremely competitive as a growing manufacturing centre.

Also in Indonesia, **Eugene Kastanja, General Manager, South East Asia, JCL Logistics**, says many sectors are "flourishing" due to the improving economic climate, but he picks natural resources, oil and gas, and mining/construction as those that have the best immediate prospects.

Vana Bulbon, Chief Executive Officer, UOB Asset Management Thailand, also says the Thai economy looks buoyant, with solid economic growth, strong corporate profits, and low inflation, but points to uncertainty in the US and Europe, and a volatile domestic political situation.

Arthur Calipo, International Director of Booz & Company, based in Bangkok echoes those sentiments and also notes a keen eye being turned to Japan for signs that its sluggish economy might soon rebound, thus providing an alternative to the heavy economic reliance on China.

The **President of Thai Airways International, Khun Piyasvasti Amranand**, notes that in addition to intense competition in the airline industry, there are a new set of challenges: "The airline business is sensitive to effects from situations such as political unrest, natural disasters, and epidemic spread, each causing major reductions in travel. Nowadays, these disrupting situations occur more frequently, while the traditional business concerns such as fuel price increases or foreign exchange can be managed."

...WITH CHINESE WAGES RISING SHARPLY DURING 2010, THAI WAGES ARE MUCH MORE ATTRACTIVE, PROVIDING AN IMPORTANT LIFT IN THE COUNTRY'S COMPETITIVENESS.

02

PEOPLE – FINDING THEM, HOLDING THEM, AND MANAGING THEM

The distinctive business climate facing the Asian region, coupled with global uncertainty, means that 2011 will be a challenging year in which to predict business activity and recruitment needs.



While Asian business is relatively buoyant about the immediate future, there remains considerable doubt as to whether these conditions will be sustained; whether a sluggish return to growth in the United States or a liquidity crisis in the European financial system will detract from growth worldwide.

OUTLOOK

It is a daunting climate in which to anticipate demand for services and human capital needs.

A prevailing sentiment from the business leaders surveyed suggests that hiring will be modest but selective, while substantial effort will go into extracting greater efficiency from the existing workforce.

Faced with a still uncertain business outlook, hiring managers appear torn between expanding their headcount to capitalise on growth opportunities, or trying to restrict employee headcount increases and missing out on the chance to boost output.

As one CEO with a global focus put it: "Talent management will be more about doing better with what you have, in most markets. However, in Asia, normal dynamics will ensure activity in talent acquisition remains steady or grows."

It's also a case of being very selective about the personnel that will be recruited in this dynamic environment: "It will be important to hire only those can that contribute immediately to the profit growth in the business. We will need to ensure that they are adequately trained, and we will contract out any tasks that are essential but that could be completed by contractors."

But firms that are prepared to gamble on the sustainability of the recovery are likely to go to the market, snapping up senior executives whose skills may have been overlooked in the recent downturn. According to one business executive, the competition to acquire these highly skilled executives will be robust: “The demand for senior executives will continue to grow, especially those with multinational experience and good English communication skills. The market will be tight and companies can’t be too picky. They will have to look for people outside their industries.”

The **General Manager, Voyage Logistics, China** explains that in the booming Chinese economy, there is a continued shortage of workers, especially in the Pearl River Delta, and Yangtze River Delta, and a growing shortage of mid-level talent across-the-board. For multinational firms, the scarcity of senior level talent is also a constraint. “The difficulty in talent acquisition across different seniority levels is the same – the demand for good talent is still greater than the supply in China.”

The head of a major energy business in Singapore highlights the difficulty in attracting the critical human capital for emerging projects: “There are very few trained and experienced engineers in Singapore, hence the need to hire from countries like Australia, Germany – which is the largest renewable energy market in the world – and other countries in Europe. Investors are ready to invest and they want to move fast. Next year, we foresee more hiring since markets like Thailand, Malaysia and India will take off.”

Another business leader goes further, drilling down into the sort of people that will excel as the region’s businesses grapple with the ambiguous economic environment: “We need, first and foremost, people with good business ethics, who will respect and comply with the country’s laws and regulations. These people need general management skills – organisational alignment, business strategy, and people management skills, that allow them to be motivators, coaches, and leaders. They will need to have cross-cultural management experience. And they need to be innovators – people who can think outside the box, dare to take risks, and be able take an idea and develop it while building an innovative and learning culture.”

“...THE DEMAND
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Willius Suwandana, President of BlueScope Lysaght Indonesia highlights a frequent concern of enterprises seeking skilled people able to propel organisations to higher levels of productivity: “It’s tough for companies who want to expand or replace managers and those in leadership roles. Indonesia has a huge population but few talents, and most of the workforce is unskilled.”

In China, there will be demand for skilled people in the major centres of Shanghai, Beijing, Xi’an and Guangzhou. Specific areas where talent will be in demand were nominated as Finance, Taxation, Legal, Training, Research, and PR.

One senior Chinese executive predicts moderate turnover for middle and senior management, and high turnover for junior positions. This means a considerable talent management task for some firms whose senior executives may come under the radar of competitors.

TALENT RETENTION

Several Indian CEOs surveyed suggest that the focus will be more on talent retention than talent acquisition. Many firms have withstood the impact of the economic downturn without having to shed large numbers of employees, and having made that decision, are reluctant to see quality talent go out the door. These are mostly skilled workers who are highly valued to the enterprise.

Bhaskar Pai, Managing Director, Lighting Brands, Zumtobel (India) puts it this way: “Our focus will be on retaining those employees who can take the organisation to next level of growth, and infusing fresh talent at an operational level.”

Eugene Kastanja of JCL Logistics echoes this sentiment, with an emphasis on doing everything possible to retain top people, “This will relate to attracting the right talent and retaining them by giving them the right challenges, developments, and secure packages.”

One of the most common refrains from the CEOs is their concern at having to hire new staff, with all the risks that entails, then having to invest time and money to train them to a level adequate to perform the required task; much better to retain the staff who can perform the job in the first place.

“OUR FOCUS WILL BE ON RETAINING THOSE EMPLOYEES WHO CAN TAKE THE ORGANISATION TO NEXT LEVEL OF GROWTH...”

Another major Indian employer says that the market for prized talent will become tighter in 2011, which will add to the importance of talent retention, including providing the training to enable employees to scale new heights as business grows. It's a sentiment echoed by other business leaders who say that talent is becoming limited at the top end of the skilled positions.

One trend noted in several Asian countries is the increasing flow of skilled people from the West, who are escaping the prolonged economic torpor, and seizing growth opportunities in a more dynamic part of the globe.

OUTSOURCING

Also on the radar is outsourcing, with many firms looking to use outside contractors, consultants or other non-payroll staff to perform certain tasks in the firm. Often these are for non-core duties, including back-office, administration, IT, and bill-processing. One telecom company chief says they will also be outsourcing technical, sales and marketing roles.

Anderias Tjandra, President of PT Fuchs Indonesia, a supplier of lubricants to automotive, mining and construction, explains the use of outsourcing is more than just a tactical decision: "Outsourcing converts fixed costs into variable costs. This releases capital for investment elsewhere in your business. It also allows you to avoid large expenditures in the early stages of your business. Outsourcing can also make your firm more attractive to investors, since you're able to pump more capital directly into revenue-producing activities."

Sandip Das, Executive Director & CEO of Maxis Communications says outsourcing will have a special role in new mobile telephony services: "Our canvas is broadening quicker than we can imagine due to the growing role that enhanced bandwidth is playing with people's lives. Soon we will also move into 'life services' such as health, education etc, for which we have neither the knowledge nor the experience – outsourcing in those areas will be inevitable."

In Indonesia, the galloping pace of the market means that outsourcing is the only solution in certain sectors. Hantarman Budiono, Managing Director, PT Adiwisesa Mandiri Building Products says the long term strategy is to retain permanent employees but in the current climate, outsourcing will fill the gaps. "Outsourcing is definitely a solution for

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short-term strategy in order to grab the market with speed since outsourcing provides instant capacity, and the talents are also 'sprinters'."

For a Malaysian healthcare firm, the task of managing its human capital has a cultural and generational challenge: "In the health sector, the supply side will outweigh the demand side. However, there is still a lack of a passionate and committed workforce in Malaysia, and the issue of education and the laid-back mindset, especially amongst the younger generation."

TALENT MANAGEMENT

Firms across all sectors are looking to carefully manage their labour programs, seeking to avoid lifting headcount unless budgets and forward orders permit, and looking to do as much as possible to extract efficiencies from existing staff.

There are relatively few firms in a position to lift wages, so areas such as training and career development become more important in dealing with staff retention. Training is also important in a tight market for skilled labour because many employers would prefer to acquire an individual and train them up to meet the job requirements.

In South Korea, **Mrs Mee Yong Chong, Chief Executive Officer of Sandvik**, outlined the challenge immediately ahead: "Talent management is always a challenge in both good and down times. As for next year, we foresee labour turnover will be less than this year. Our company policy is to develop our own talent, and to only consider talent acquisition on case-by-case basis."

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In Malaysia, one CEO sums up the mood, with the economy at a crossroads: “Many companies are still lean and have not hired up fully. I don’t expect hiring of talent to increase next year. When things are uncertain, talent development sometimes takes a back seat to more immediate and pressing needs. This is not necessarily the right thing, but many companies will fall into this mindset.”

Malaysia also suffers skills shortages and the loss of some key talent abroad. But **Sandip Das, Executive Director & CEO of Maxis Communications** says there are two things causing this to change: “First, Malaysia at the apex level is conscious about this ‘brain drain’ and has put together the ‘Talent Corporation’ to address it systemically, with sponsorship from the highest level. Secondly, the general jobs market in the West has dried up, and some of them could be contemplating returning to Malaysia.”

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03

THE THINGS THAT MATTER – PRIORITY ISSUES FOR ASIAN BUSINESS IN 2011

When Asian business leaders peer through the looking glass into 2011 and beyond, they largely see blue sky. But their positive disposition is tempered by what is taking place over the horizon – in the United States and Europe.



They also look at China as a mixed blessing, since it has the potential to either turbocharge the region's economies, or leave them reeling.

And they look into the capabilities of their own enterprises and their people for what they need to do to capitalise on the prosperity that seems to be returning.

The business transformation sweeping the region is re-arranging corporate priorities, including a shift from manufacturing to the fast-growing services sector. **Arianto Darmasto, Indonesia Country Manager for QNet**, a communications systems integrator, says the focus of business in the region is evolving: "In 2011, the area of growth will be in services, because most companies will need services rather than goods. This is the new era as we move from being product-driven to service-driven."

Another emerging issue is quality. As the region's economic base becomes more elaborate, there will be more of a focus on quality over cost. "Products sold in Asia should have higher quality than in the past. Asia has been a cost-intensive market, and this is changing to quality-intensive market," according to the head of a Japanese glass manufacturer operating in Thailand.

Simon Northrop is the CEO of McKinnon & Clarke, an independent international energy consultancy operating out of Thailand. He says that Asian businesses must look to compete globally in terms of quality and consistency of performance. They can no longer lead just on price, because cost differentials between the East and West are increasingly narrowing.

There are few areas where quality is more on display than in the hospitality sector.

Suntec International Convention and Exhibition Services CEO says business is under pressure to make continuous improvement: “The hospitality industry is very competitive and customers have high expectations and demands. We have to train and groom our staff so they have the capabilities and experience to thrive in today’s dynamic business environment.”

Business leaders are also looking at specific ways of addressing the talent shortage by doing more in the area of workforce development. The **General Manager of D-Link, China** says there are three priorities: identify, train and develop the high performers in the organisation; provide job rotation opportunities for high performers to equip them to work in a matrix organisation, and provide competitive incentives to high performing groups.

It’s no surprise that a major priority for all businesses is to build profitable growth, and as part of that, to maintain control over rising costs across the region, including wage costs. Many businesses are facing difficulty in maintaining profit margins, and are caught in a pincer; they can’t expand without the right skilled employees, and those skilled people are in short supply and will cost more to acquire.

For some, the domestic market in which they are operating has become too restrictive and they need to look further afield. As **Cheng Liao, Chief Executive Officer, Kyobo Axa Investments Korea**, says, “Think global – not just Asia.”

In particular, companies operating out of Singapore are focussing outward, and looking to expansion and growth in countries such as Vietnam, Malaysia and Thailand. One major electronics company says it will be looking at shifting manufacturing sites away from China, as that country’s cost advantages start to erode.

As an example, a Singapore-based energy producer cites Thailand as its core market and describes it as the forerunner in South East Asia, while predicting that India will pick up dramatically, and Philippines and Malaysia will be their next targets.

**“THINK GLOBAL –
NOT JUST ASIA.”**

Similarly, **Thai Airways International President Khun Piyasvasti Amranand** sees the regional opportunities as significant, “Our business priority is to expand our premium market share, as well as increasing our share in every market segment, especially the low-cost segments. With extensive networks in five continents and convenient connection at our hub in Suvarnabhumi Airport, we promote Thai as a ‘network carrier,’ not to be thought of for travel to Thailand only. This positioning will reduce our risks should there be political unrest in Thailand that will deter travellers.”

Cheah Kok Hoong, Director, Sunway BPO in Malaysia also sees the coming year as one in which his group will be eyeing growth and expansion opportunities in wider markets, particularly China, Sri Lanka, Singapore and Indonesia.

But expanding outside of domestic borders can also be fraught, as **Bobby Varanasi, CEO of Matryzel Consulting, Malaysia** explains: “In Asia, businesses will place emphasis on growing into China and the larger ASEAN markets, with some firms looking at India and the Middle East as the new markets to penetrate. In the absence of either capabilities or financial muscle, I am not sure if they will succeed in their endeavours.”

In the semiconductor market, which serves as something of a forward indicator of business activity, there is a strong focus on the consumer sector. This has arisen from the economic stimulus measures enacted by Asian economies, as well as from the big consumer push being driven from China and India. These two economies are at the heart of what is an ongoing consumer-led innovation phase, putting great pressure on electronics leaders to correctly pick the products and trends that will prevail.

In the investment banking and financial services sector, there will be an emphasis on returning to solid growth and ensuring that the risk profile of the balance sheet is in order. The head of a major financial institution in Singapore says: “Our primary focus is going back to increasing our market share, coming out of a stagnant market period in 2008/09. Other areas of importance are to manage the business risks and exposures more carefully and comprehensively, having learnt our lessons from the recent Lehman crisis. There is the need to ensure the fundamentals of the business are a lot more robust, stronger and tighter.”

“OUR BUSINESS
PRIORITY IS TO
EXPAND OUR
PREMIUM MARKET
SHARE...”

04

WHO'S GOING TO CRASH THE PARTY?

When Asian business leaders open up and speak frankly about their main areas of concern for the year ahead, it is revealing that there are a fairly small number of troubling issues, but they are consistent across most of the businesses canvassed.



Essentially the main areas of business distress can be summarised under the following headings:

- Economy stability
- Political stability
- The role of government
- Corruption and law enforcement

There is a palpable sense of uncertainty about the economic signals emanating from the US and Europe, and the way that political and regulatory decisions can impact business. As noted by **Tata Ismail, President and Director, Amcor Indonesia**: "Although the country's economic growth is very promising, we have great concerns over the problem of global economic recovery, inconsistency of government regulation, slow development of infrastructure, law enforcement in corruption elimination, and social unrest in Indonesia. However, we still believe that market will grow and be slightly better than last year."

Another Indonesian senior executive, **Lilis Halim, Country Manager, Watson Wyatt**, says the overhanging economic concern surrounding China and America is the main source of concern.

A leading Malaysian business figure says aside from possible external economic shocks that are beyond the control of local authorities, business is conscious of the possibility of "public unrest and disturbance, and lack of political will to address major socio-political issues of corruption, bureaucracy and race disparity."

In virtually every market, from energy to health, finance and construction, there is a consistent worry that changing government regulation has the capacity to derail the well-laid plans of business.

In India, **Rajat Kakar, Managing Director, Universal Music** says in the entertainment sector, government policy is a major concern, because it is in a state of flux regarding issues such as copyright and double taxation.

There is renewed focus on the role of government-linked corporations and sovereign wealth funds, which have grown rapidly in Asia and whose operations span virtually every sector of business. Sometimes, the interests of these entities and their associated political and economic clout can overwhelm competition. Because they rarely operate on a level playing field, they can dominate local markets and skew investment decisions.

More Asian countries are seeing the entry of venture capital, and associated M&A activity. This is not always popular among local business and sometimes blamed for inflating price levels and creating bubble situations.

The CEO of a service group company in Singapore raises a concern about the loss of an "Asian way" of doing business. With foreign companies throwing capital at the region, there is an accompanying loss of the culture and the business relationships "that are based more on trust than on money".

The claimed loss of trust also extends to a loss of economic sovereignty, particularly for designers and manufacturers who decry the copyright and intellectual property infringements which are largely blamed on India and China.

There are few countries where political unrest has had more of an impact than in Thailand. The anti-government protests that led to deaths and which shut down large parts of Bangkok have caused business to adopt a cautious outlook.

Yet by far the biggest question overhanging all economies in the Asian region is the matter of what would happen should China suffer a "hiccup". Most Asian economies withstood the full brunt of the 2008 economic crash, thanks to China's remarkable economic resilience. It would be different, and more dire, if China itself were to stumble.

MORE ASIAN COUNTRIES ARE SEEING THE ENTRY OF VENTURE CAPITAL, AND ASSOCIATED M&A ACTIVITY.

With commodity prices and wage costs in China outstripping most Asian rivals, an inflationary spiral remains a possibility that would prompt China's policy makers to raise interest rates, snuffing out the bubble, but also curbing regional growth.

In almost every Asian market, competition is increasing, fuelled by both local and foreign businesses. Skills shortages are a constraint on most firms, and one of the major drivers of higher costs.

Confidence in most markets is high, and Asia remains a stand-out performer in a somewhat bleak global landscape. 2011 will be a challenging year, with more than the usual array of threats on the horizon, but one that Asian business leaders are more than willing to confront.

**SKILLS SHORTAGES
ARE A CONSTRAINT
ON MOST FIRMS,
AND ARE ONE OF
THE MAJOR DRIVERS
OF HIGHER COSTS.**

CONCLUSION

Businesses across Asia probably feel that they 'dodged a bullet' when the global financial crisis wreaked havoc across much of the world, but left Asia largely unscathed.

It was a crisis averted due largely to the phenomenal intensity of the Chinese economic boom, and it gave credence to the notion of Asia as an economic powerhouse in its own right, able to measure-up against the established global economic blocs.

Yet for 2011, there is an emerging reality that any repeat of the financial crisis would not be so kind to Asia. For one thing, all of the available policy levers have been ratcheted to their extremes, leaving little room to kick-start spending or cut interest rates.

Also, China is now operating at close to peak capacity and its entire cost base – property, wages and commodities - is rising. How long before the balloon pops or the Chinese administration promotes a gradual deflation?

Ultimately, the outcome of this debate is outside the control of any enterprise. What is within their control are the operational and HR strategies that will help to sustain growth in the region. Again, there is no easy solution. High margin growth is getting harder to achieve. Cost advantages are eroding, and the pool of skilled people is not as plentiful as it once was.

Everyone realises that they can't simply flick a switch to higher growth; that expansion strategies will need refining, and that workforce development will become critical in striking a balance between the need for higher skills and the reality of scarce talent.

Also out of the control of business is the plethora of issues that are characterised as 'government interference' – red-tape, over-zealous or unnecessary regulation, changes of policy, official corruption, and thwarting of entrepreneurial dynamics. It is telling that of all the issues identified as threats in the coming year, this category stands out.

These issues will dominate 2011, and provide a fascinating backdrop to what will be a most interesting period in recent Asian and global business history.

Finding the right talent will be a major challenge.

C.G. BELSARE,
Director, Ashok Leyland, India

We expect competition will be even more intense in 2011, especially with the weaker economy in Europe.

PIYASVASTI AMRANAND,
President, Thai Airways International

I am not sure that the fundamentals are strong enough to seriously buoy the economy. Asia will be a little more upbeat, because there are basic infrastructure gaps and Asia has demonstrated a lot more creativity in times of need.

SANDIP DAS,
Executive Director & CEO,
Maxis Communications, Malaysia

Although the country's economic growth is very promising, we have great concerns over the problem of global economic recovery, inconsistency of government regulation, slow development of infrastructure, law enforcement in corruption elimination, and social unrest in Indonesia, which will affect the market condition.

TATA ISMAIL, President Director,
Ancor Indonesia

China and India will continue to grow much faster than the rest of the Asian markets, and for China, its increasing development of English language skills, as well as flexibility towards foreign investment/ownership, will only serve to enhance its growth further.

SIMON NORTHROP,
CEO, McKinnon & Clarke, Thailand

Within domestic markets, Asian businesses will particularly be hit by increasing competition from India and China to the extent of irrelevance, and I predict a protectionist approach being adopted by Asian companies to protect their turf.

BOBBY VARANASI, CEO,
Matryzel Consulting, Inc, Malaysia

Talent management is always a challenge in both good and down times. As for next year, we foresee labour turnover will be less than this year. Our company policy is to develop our own talent and to only consider talent acquisition on case-by-case basis.

MEE YONG CHONG,
CEO, Sandvik Korea

Acquisition will not be that great but talent management will definitely be. Since the market will be services-driven, it will depend a lot on how companies treat their employees. Better employee handling would result in more satisfied clients.

RAHUL GARG,
Director, ZTE Corporation, India

We know that recently, China and American are not in good condition. We hope there will be no problems disturbing the economy.

LILIS HALIM,
Country Manager,
Watson Wyatt, Indonesia

China is expected to continue growing, and has strong reserves backing it up. Inflation will continue to be an issue.

Managing Director,
AB Agri, China

Our focus is on maximizing everyone's potential – from the cleaner right up to the CEO.

**ANDERIAS TJANDRA, President
Director PT Fuchs, Indonesia**

Outsourcing will only be implemented within non-core positions or to very administrative ones – clerical positions, security personnel and drivers.

**EUGENE KASTANJA, General Manager,
South East Asia, JCL Logistics**

In 2011, there will be more opportunities for job seekers in knowledge worker positions, therefore employers will need to be prudent with compensation packages and employee retention strategies.

**MATTHEW BARSING,
Chief Marketing Officer,
UCSI Blue-Ocean Strategy
Regional Centre, Malaysia**

Talent management is on track to become the single most important differentiator among successful organizations over the next decade. How organizations attract, select, develop and retain employees will dictate the success of their talent management capabilities and strategies, and indeed their viability as a business.

**IWAN D. IRWANTO,
President Director, PT American
Standard Indonesia**

Korean investors will be more encouraged by domestic economic prospects and higher yields from local markets. As for overseas, the sentiment will still be biased toward emerging countries.

**CHENG LIAO, CEO,
Kyobo Axa Investments Korea**

I am facing strong local competitors. My priority next year is to drive product localization. A standard product portfolio has to be replaced by product solutions so as to address our customers' needs.

**General Manager,
D-Link, China**

In Asia, we have to compete with people from India, China and other countries. If we want to still exist, our talent must have the capability to compete with foreign talent.

**ARIANTO DARMASTO,
Country Manager, Indonesia, QNet**

Our focus is to grow geographically yet maintain costs. The priority for most businesses in Asia is cost management and risk management.

**WILLIUS SUWANDANA,
President Director,
BlueScope Lysaght Indonesia**

With growing opportunities, the talent is getting limited, hence getting a resource and training them is very crucial.

**KUNDAN JHA,
CEO, Bharat Forge, India**

We continue to recruit local talent. We develop and attract local talent with regional career or international experience.

**ARTHUR CALIPO,
International Director,
Booz & Company, Thailand**

FOR LEADERS WHO MAKE A DIFFERENCE



About the Author

Lalita Nithiyandandan is Executive Advisor, Global Center of Excellence for Executive Search and Leadership Consulting at BTI Consultants. She has more than 30 years experience in Talent Acquisition and Consulting. An entrepreneur at heart, she founded Business Trends, a successful staffing and human resource business in Asia that was acquired by Kelly Services in 2001. Lalita has taken on various portfolios within the Kelly Organisation in the Asia Pacific region. She has an extensive network in the region and enjoys building long term bonds with the people she works with.

Specializing in global and regional C-level and senior executive searches, BTI Consultants leverages on the ability to align ourselves with the changing face of leadership, our deep network of proven consultants extends our reach across specific industry sectors and disciplines. We operate on the premise that every leader we place has the ability to make a positive impact to the business they enter, the people they interact with, and the community at large.

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