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# The new Asian multinational company

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The Asian multinational has been defined by global brands such as Toyota, Honda, Hyundai, Samsung and Sony — Japanese and South Korean companies that emerged on the global scene in the 1970s, ’80s and ’90s and influenced product innovation and best practices in manufacturing and business processes in companies around the world.

A new generation of companies emerging from Asia Pacific is poised to have a similar impact on the way the world does business. Companies such as Tata Steel and Infosys in India and Lenovo, Chery Automotive and Haier Group in China already have become major forces in their respective industries, and many other Asian companies are working toward achieving their multinational aspirations.

This new breed of Asian multinational arrives on the scene with some built-in advantages, including enormous domestic markets that provide significant scale and momentum. Consider that the 2009 Fortune Global 500 list includes 145 Asia Pacific companies, 29 percent of the total, including nine newcomers this year from China alone. And they may well benefit from those who came before them; the success of Japanese and Korean multinationals has shown that customers around the world will be open minded about new brands that prove themselves in the areas of design, quality and value. High domestic savings rates, government support and companies’ willingness to make big-ticket acquisitions and strike high-profile partnerships also fuel outward expansion.

Those companies looking to stake ground in global markets face challenges, however. They must create and sustain brands that appeal outside their home markets, drive innovation to create differentiated products and services, navigate a range of political and regulatory frameworks and evolve their organizations to effectively manage far-flung and diverse operations. Those relying on acquisitions to propel growth must overcome cultural and other differences to successfully integrate new overseas operations. The most critical challenges are likely to be around talent — acquiring the leadership skills and knowledge base to compete on a global stage and simply keeping pace with an accelerating demand for senior leaders.

We had conversations with leaders from a number of emerging global companies from Asia Pacific to get some real-world perspectives about the opportunities and challenges ahead for these fast-growing businesses.

## GOING GLOBAL

Clearly, some of these newcomers have their sights set on becoming the top global consumer brands in the tradition of the earlier generation of Asian multinationals. One of these is Haier Group. "Our goal is to be the No. 1 company in the world in our category and in the regions where we expand, and to have a profitable business wherever we are," said Dr. Taoming Wang, chief strategic and technology officer for Haier. To help fuel its growth in new product areas, Haier has entered into partnerships and joint ventures with other leading companies, recently announcing that it has acquired a 20 percent stake in Fisher & Paykel Appliances, the New Zealand-based high-end white goods maker. Core to Haier's plans over the long term is improving the company's ability to innovate. "Innovation will be the key. To be a leading global company, we need to compete on equal levels with the world's top brands and not simply copy," Wang said.

Among Tata Group companies, there is an orientation toward international growth, but this is not dictated from above, according to Dr. Satish Pradhan, group head of human resources at the Tata Group. Several of the companies within India's Tata Group conglomerate are already among the largest players in their fields globally, a result of an approach combining dramatic organic growth and selective acquisitions. For example, Tata Steel's acquisition of Corus elevated it to the sixth largest steel maker in the world. Tata Tea is the second-largest branded tea company in the world, through its U.K.-based subsidiary, Tetley. Tata Motors is among the top five commercial vehicle manufacturers in the world and it recently acquired Jaguar and Land Rover. Tata Consultantcy Services has delivery centers outside India in the U.S., U.K., Hungary, Brazil, Uruguay and China.

For Bharti Airtel, the leading telco in India, pursuing global expansion comes as a natural corollary to having nearly perfected a low-cost, value-for-the-money business model. India's hyper-competition and very low tariffs have driven Bharti Airtel to continuously innovate and fine-tune its operating model. "Our vision is to be the most admired brand: to be loved by more customers, to be targeted by top talent and to be benchmarked by more businesses," said Atul Bindal, president of Mobile Services for Bharti Airtel. "Fulfilling this vision necessarily involves pursuing operational excellence and customer excellence through paradigm-shifting innovations like network and IT outsourcing, rural thrust and new products." Given the nature of wireless markets, such an operating model can be an effective lever across different markets and varying geographies.

Alibaba's global aspirations vary by business unit. The Internet company's flagship, Alibaba.com, for example, needs to be global to facilitate the small and medium-size business exchange, its key customer base. Created originally to link small Chinese suppliers with Western customers, Alibaba.com is increasing its investment in programs to support domestic trade and imports into China. In an interview with *The Financial Times* in January 2009, Alibaba founder Jack Ma provided a glimpse into the future he sees for the exchange, "In Europe there are so many SMEs. Why not help them to China? Why not help them to America? Why not to India and Japan? Alibaba has changed already. I cannot imagine Alibaba as China-centered."

As they expand their global footprint, both Haier and Alibaba emphasize the importance of local knowledge and perspective to the success of their businesses abroad. Haier, for example, is approaching its goal of being "local" in American and European markets via localized design, manufacturing and sales processes. The company has set up production facilities and plants in the U.S., Italy, Pakistan, Jordan and Nigeria. Alibaba takes a similar approach when entering new markets. "The Internet is global but also extremely local in its practice. Understanding the local nuances is critical to success," said David Wei, president of Alibaba.com. While Alibaba directly manages operations in China and other overseas Chinese markets, in other markets, such as India and Japan, it relies on partners to take the lead and manage operations. "No one understands the Japan or India markets better than Japanese or Indians," explained Wei.

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ICICI Bank, India's second-largest bank, began its outward push more than five years ago to better serve its Indian business customers and individual clients in other countries. Like many businesses expanding internationally, it tends to start in a new market with a core Indian team. ICICI Bank has also concluded that it's important to have multicultural teams who understand local laws and cultural patterns, said ICICI Bank Chairman K.V. Kamath. "We still tend to have a strong team from India — in some cases, the leader, but not always — but very quickly these organizations become multicultural. This is something we have learned to appreciate and value, so multicultural and multilingual teams have become the norm for us."

## THE LEADERSHIP CHALLENGE OF GROWTH

A critical challenge for fast-growing companies from any region is balancing the need to adapt and evolve the organization to support growth and accommodate the demands of new markets and changing economic conditions, while preserving the values and culture that have been instrumental to its early success. This can be particularly challenging when acquiring companies from other regions with their own distinct brands and processes.

"As Alibaba expands, we want to make sure that our culture and values are not diluted," said Wei. For example, a core company belief that "less is more" reflects leaders' desire to retain the nimbleness of its early days. "That takes discipline — in our strategy and our plans. We want to keep everything small and lean and retain the spirit and energy of a small company. When a certain business becomes too big, we break it down," said Wei. The company fosters its values in part through its annual review process; in fact, half of an employee's evaluation is based on the company values, not just results. "We put customers first, employees second and shareholder's interest third. This is our bible," he said.

Rather than a traditional command-and-control model where dictates come from the top, the Tata approach is to influence decision making through the conversations that occur among the leaders of the various Tata companies. Each company within the group has its own specific strategies and aspirations, but there is a common "DNA" and set of values across the group emanating from Tata Sons. Overlapping board memberships among Tata companies facilitate this sharing of values and information. "The unifying ethos and the ethical structure and the value orientation comes from Tata Sons, but is reinforced by every operating entity," said Pradhan. "We try to influence decision making, but it is not in the form of a diktat or in the form of a 'I tell. You do.' The footprint of the center is minimal. For example, none of the heads of HR from the Tata companies reports to me, but 80 percent of my day is spent giving time to them because they want to run something past me, get help in doing something, help think through a problem or get my views on a decision they want to take up to their management committee."

# Company Snapshot

**Alibaba Group** was founded 10 years ago by Jack Ma, a former English teacher who saw potential in the Internet as a way to bring together thousands of small Chinese suppliers with buyers around the world. Today, the company is a family of Internet-based businesses, providing business-to-business trade, retail, business management software and classified listings. The privately held company reaches Internet users in 240 countries and employs 12,000 people in more than 40 cities in mainland China as well as Hong Kong, London, Silicon Valley and Taiwan. Alibaba.com, the group's flagship company, has been publicly listed in Hong Kong since 2004. Yahoo! took a 40 percent stake in Alibaba in 2006.

**Bharti Airtel** is India's largest mobile phone service provider with more than 100 million subscribers, making it the third-largest single-country operator in the world by subscribers after China Mobile and China Unicom. Bharti is adding 3 million subscribers a month as it expands into India's more rural areas; while India's mobile market is the fastest-growing in the world, Bharti believes its low-cost model can be successful in other developing markets, especially in Africa and the Middle East. The company is controlled by Indian businessman Sunil Bharti Mittal and is 30 percent owned by Singapore Telecommunications.

**Haier Group** is China's largest appliance company. Founded in 1984 in Qingdao, Shandong Province, Haier manufactures and markets products in more than 90 categories, including refrigerators and freezers, air conditioners, dishwashers, microwaves, televisions, vacuums, mobile phones and computers. In China, Haier has more than 30 percent market share in four main product categories — refrigerators, refrigerating cabinets, air conditioners and washing machines — and it exports its products to more than 100 countries around the world.

**ICICI Bank** is India's second-largest bank with total assets of about US$77 billion. The bank has a network of 1,500 branches and 4,800 ATMs in India and presence in 18 countries. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels.

**Tata Group** companies operate in seven business sectors: communications and information technology, engineering, materials, services, energy, consumer products and chemicals. The major Tata companies are Tata Steel, Tata Motors, Tata Consultancy Services (TCS), Tata Power, Tata Chemicals, Tata Tea, Indian Hotels and Tata Communications. The companies primarily are based in India, but have significant international operations. In 2007-2008, the group had 350,000 employees worldwide and total revenues of US$62.5 billion — 61 percent of which came from business outside of India.

Even as they preserve core values, companies need to adapt as they grow and encounter new opportunities and challenges. "Our culture is based on people. That should not change as we grow and expand into other markets. There are certain competencies that should not change, for example, our speed," said Wang. "However, we are introducing more flexibility than we've had in the past. For example, in the past, when a leader made a decision, his subordinates followed. We are evolving to a culture that encourages responsibility and accountability and, in overseas markets, we also need to be more responsive to the local needs."

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Haier needs people who understand the local markets, but also are willing to do more than take orders from headquarters. "Our people and technology need to be at the cutting edge. We encourage our executives to think outside of their silos and take more initiative, charting their own goals that are aligned to the company's objectives," said Wang. To encourage this mindset, Haier now requires each executive to perform a self-analysis and to set personal and team objectives. "They need to share their goals and action plans with their teams, their superior and subordinates. The goal is to emphasize responsibility and accountability," he said.

Successful leaders at Bharti Airtel blend professional and entrepreneurial capabilities. This combination encourages executives to constantly try new things. "The willingness to challenge status quo and continuously break new ground is a key leadership imperative at Bharti Airtel," said Bindal. "The ability to successfully pursue and deliver innovation excellence in a customer-centric way is what sets our leaders apart. Our managers are able to constantly anticipate customer needs and then show agility and adaptability in recalibrating and modifying value propositions and operating systems to implement those rigorously."

## A MODEL FOR THE FUTURE?

Asian multinational leaders say their companies are creating new business models that reflect the values of the East, with its emphasis on people and relationships, and position companies to grow and adapt to market changes. This is a hybrid model that combines best business practices from around the world and the entrepreneurial spirit and values that have propelled their businesses to this point. In doing so, these companies are incorporating the approaches and lessons from a broad range of sources.

"Our company is built on a philosophy that combines the soul and wisdom of the Orient and the Western management system, the skeleton and muscle," Wei said. To expand their understanding of other management approaches, Alibaba executives have visited with Western companies such as Starbucks to study best practices in the areas of HR management and strategic planning and also share learnings with those companies, Wei said.

This approach is paying rich dividends for Bharti Airtel, evidenced by the company's success in Sri Lanka where as a challenger it has grown to become a significant player. "We are a strong believer in and practitioner of best-of-best benchmarking. We regularly study and examine business practices and models of other category players as well as other industries on a continuous basis. Our hungry appetite to adopt and adapt is a huge enabler of this culture, which we hold very dear," said Bindal.

At the same time, business leaders expect that the product and business model innovations being driven by these fast-growing Asian companies will have a broad influence on global business. "Being able to create and manage a successful win-win ecosystem of partners has certainly been a key driver of our success. This has helped Bharti Airtel deliver outstanding, customer-centric value proposition at affordable prices to our customers while still delivering a high level of operational efficiency and effectiveness," said Bindal. "To illustrate, in rural India, we come together with a multiplicity of partners: handset companies, rural cooperatives, microfinanciers, etc., to deliver seamless service and distribution." Today, more than 60 percent of new customers for Bharti Airtel come from rural areas, creating shareholder value and helping change the socio-economic landscape.

Pradhan anticipates that the rise of Asian economies and companies — and influence of Asian leadership styles — will have a broad global impact. "One of the things that will happen inevitably is that we will have many economic centers of gravity. We will see a multicentric economic world, and that has huge implications," he said.

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