

Asia's markets demand agility

Fast changing markets and nimble local competitors makes agility critical

SRA PERSPECTIVES

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Asia’s leading private firms are naturally agile. Many global firms are struggling to catch-up.

Just how fast is Asia changing? I used to have a rule of thumb that my basic assumptions about China were likely outdated after 18 months. That period is even shorter now. It’s also increasingly true for the rest of the region where markets are evolving rapidly.

But that puts enormous stress on organizations in Asia. How can they more rapidly anticipate change and then react swiftly? How can business leaders seek greater organizational agility?

What’s certain is that the importance of agility will only grow in the coming years: the region’s markets are still expanding at twice the speed of those in the developed world; digital technologies are disrupting business models; local companies are emerging as fierce competitors; and costs are rising rapidly even as recruitment challenges worsen.

But it’s the rise of Asia’s private firms that adds real urgency to the debate. Many are owned by entrepreneurs who have long embraced uncertainty. They are constantly surveying social networks to spot market changes and then reacting quickly. They are prepared to make a quick bet on a new product and then fail fast if needed.

How might business leaders respond to the challenges? There are two areas of particular importance: identifying change and then reacting to it.

The need for continuous intelligence gathering

The most important lesson from my 20 years in Asia and the Middle East is that I can never know enough; the two regions constantly surprise just when I think I’ve worked it all out. It’s a humbling experience and that sense of uncertainty keeps me continuously scanning for the next big thing. My personal experience is that there are two ways to approach the challenge.

Sources of Uncertainty	
GLOBAL	LOCAL
<p>ORGANISATIONAL</p> <p>Global firms have increasingly complex global organisations and operations.</p>	<p>Asia’s leading private firms are often family-owned and fast to adapt.</p>
<p>TECHNOLOGICAL</p> <p>Global firms are facing disruption from digital innovations in all markets.</p>	<p>Digital technologies lower the barriers to entry for nimble local firms in Asia.</p>
<p>ECONOMIC</p> <p>Challenging conditions in developed markets has left some firms rethinking their proposition.</p>	<p>Rising costs and slower growth means Asia is no longer a cheap volume story.</p>

The first is to use data analytics to spot major trends. Data sources can be private or public. Private sources might include proprietary customer sales data. They are especially critical to understanding fast-changing consumer preferences. The sophisticated data ‘war rooms’ of the big China banks, for instance, surprise many outside observers.

Public sources might include manufacturing or trade data. They are particularly important given the region’s complex supply-chains. Take the sourcing industry, where trade data indicates that foreign retailers are buying more knitted clothing products out of Cambodia as they look to hedge themselves against rising wages and other production costs in China.

Identifying changes in market conditions

Global firms must behave more like their nimble private competitors in Asia if they are to respond more rapidly to market changes and support their organisational agility.

DATA ANALYTICS

USING DATA TO SPOT MAJOR TRENDS

Data can be used to spot major changes usually on an annual basis.

However, the quality of the region's data is often poor and offers only a guide.

NETWORKING

THIRD-PARTY SOURCES

Daily conversations with customers, suppliers, and partners are a rich source of human intelligence.

They also help validate data analytics.



DECISION MAKING

ORGANISATIONAL CULTURE

Intelligence gathering must be part of the organisational culture not just a business unit.

Findings must be shared regularly and acted on when needed.

But for all the convenience of data, the results can be skewed or of poor quality. Having spent 15 years tracking China's commercial data, I can personally vouch for the challenges.

That is why business networks are more important. Human intelligence provides critical validation for data intelligence. That's tiring; it means constant networking and travel. But those daily conversations with customers, suppliers, and partners, from inside and outside the industry, are a rich source of information in a region where markets are opaque.

I'm reminded how a conversation with a partner prompted me to visit a local retailer in China's Hunan province. It turned out that privately-owned firms had 30 supermarkets and 130 convenience stores in the province. It's a serious competitor for the global retail giants, but few have heard its name and its activities don't appear in any database.

Making it part of the organizational culture

But there's a trap. Big firms might be tempted to task a business unit with the job of identifying change through intelligence gathering. That suits a matrix structure. Yet that's not how it works in those nimble Asian firms

where it's second nature for business owners and senior managers themselves to be looking for what's coming around the corner.

Their acceptance that markets change is understandable; just consider that over the past 15 years, China's GDP has expanded six times and Indonesia's GDP per capita risen four times. That implies massive market disruption and a constant churn in the products needed and channels by which they are sold. It can be a bruising experience for many.

To compete, big companies need to develop a culture where senior teams are acting more like their local competitors and constantly looking for the unexpected. They need to be periodically reviewing the data. But in particular they need to be constantly developing their business networks to spot change coming from inside and outside the industry.

That also means senior teams are regularly meeting to share their findings and act on them as needed. That's easier in a family-owned business where executive teams meet regularly and informally. In this, I'm reminded of the companies I've met from Bangkok to Dubai where business owners and senior managers have lunch together as a group every day.

Similar flexibility is equally critical in large firms. Yet this can be hard in an environment where executives are focused on their specific business or functional line. Indeed, I find it more common to hear of a single executive with an entrepreneurial mindset driving the agility process. The challenge then is to get the entire team thinking in the same manner.



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