Asia's Next Generation of CEOs and Corporate Leaders

Perspectives on leading through disruptive change

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Foreword

The role of today's CEO is evolving – almost as rapidly as the global financial, geopolitical and social landscape in which they operate.

Teneo is very fortunate to work with and advise many leading CEOs around the world as they navigate this new environment.

These issues are especially poignant across the Asia region, where a new generation of CEOs and corporate leaders are poised to make their mark at this particularly important moment.

My colleague Lauren Chung and her team have spent the past three months listening to CEOs across the region. I hope that the collective reflections, challenges and opportunities shared in this report provide useful insights as you also lead during this time of both volatility and possibility.

Thank for your ongoing support of Teneo.

Ursula Burns
Chairwoman

Introduction

It was a true pleasure to sit down with next-generation CEOs and business leaders from across Asia to discuss how they are leading some of the region's most exciting start-ups and multi-generational companies.

Teneo is the global CEO advisory firm. We partner with our clients globally to do great things for a better future, helping CEOs and business leaders generate shareholder and stakeholder value for their communities. Our consultants work as trusted advisors, allowing us to be intimately connected to leaders grappling with a range of strategic, reputational, operational, financial and risk-related agendas.

With this report, we hope to formalise some of the insights we have generated from our work with CEOs, share our learnings and ideas, prompt connectivity and stimulate further dialogue among our ecosystem of corporate leaders in Asia.

This dialogue and collaboration is critical.

The scale of the people and planetary challenges facing Asia is immense, but our opportunity for progress is far greater. We truly believe that partnerships, the sharing of perspectives and active collaboration among corporate leaders will allow us to generate faster, more lasting positive impact.

We also hope to shine a spotlight on the incredible corporate leadership emerging from Asia. Through a series of discreet one-on-one conversations, I spoke to the rising generation of leaders, discussing how they are thinking about the agenda-defining themes of our time.

These leaders must navigate arguably the most complex operating context in decades. This includes post-pandemic dislocations, rising food prices, the increasingly evident effects of climate change, geopolitical fractures, war, supply chain disruptions, inflation and more.

Business leaders in Asia are also poised to drive real change. They are building some of Asia's, and the world's, most innovative companies. They are also the next generation of leaders charged with transforming multi-generational, family-run businesses and preparing them for the future. They are spearheading major corporate transformations and governance reforms, while redefining why their organisations exist and for whom they should be generating value.

I would like to sincerely thank all those who took the time to speak with me amid all they are managing.

We hope you enjoy the report.

Lauren Chung
CEO, Asia-Pacific
Strategy & Communications

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Insights Summary

- Young CEOs are questioning **what it means to be a leader** and how they generate positive impacts for their employees, customers and the communities in which they operate.
- CEOs believe **corporate purpose, values and culture** serve as a "North Star," inspiring employees and partners to reach a shared goal. ESG is an important touchstone for corporate purpose, with leaders needing to "walk the talk" to show stakeholders sustainability is not a "cloak of virtue."
- CEOs see **adaptability** as the key to risk and resilience, with many having shortened their planning cycles due to increased uncertainty. This places a premium on reliable information and trusted advisors who are crucial to making the right decisions.
- Most leaders are adopting a wait-and-see approach to **Web3** technologies such as the metaverse and blockchain. Regulation is a key hurdle for many, while others are watching to see if consumption patterns change before adopting Web3.
- **Stakeholder engagement** has become increasingly complex. Companies and their leaders must understand what constitutes value and where pain points and areas for potential collaboration may be across regulators, investors, employees and boards of directors, among others.
- CEOs remain **bullish on Asia**. Despite heightened political, regulatory and economic uncertainty, many remain committed to China for the long-term, believe ASEAN holds great potential and continue to see promise in select industries in North Asia.

Methodology

From June to September 2022, Teneo interviewed CEOs and leaders of public and private companies across Asia.

This includes young, second- and third-generation leaders taking over major family-owned enterprises and steering them toward new frontiers and emerging CEOs founding the region's most exciting new companies. These companies have a combined market capitalisation or committed funding of at least US$33.9 billion, aggregate annual revenue in excess of US$12.4 billion and employ more than 42,650 persons across at least 32 countries and territories[1].

The interviews, which ranged from 30-90 minutes in duration, were conducted one-on-one between the interviewees and Lauren Chung, CEO of Teneo's Strategy & Communications Advisory business in Asia Pacific. Interviewees were invited to share their experiences and perspectives on a diverse range of topics and corporate agenda-defining themes. These included:

- Leadership
- Corporate purpose, values and culture
- Risk and resilience
- Stakeholder engagement
- ESG
- The future of work
- Technology and Web3
- Asia outlook

The interviewed individuals are all CEOs or C-suite, with a few holding executive or directorial positions. Headquartered in China, Hong Kong SAR, Japan and Singapore, the companies represented span the professional services, real estate, traditional banking, digital banking, sports media, telecommunications, hospitality, fashion, logistics and technology sectors.

To ensure the interviewees were free to express their thoughts candidly, all interview insights are shared anonymously.

[1] As some of the companies represented are private enterprises, data on revenue and employee figures is limited.

Leadership

Corporate leaders around the world have faced many challenges over the past three years as Covid-19 has disrupted virtually every aspect of business, including how people work, how companies operate and the relationships between organisations and their employees.

While most of the world seems to have moved on from the pandemic, many Asian companies remain subject to ongoing Covid-19 control measures.

The pandemic was therefore still top-of-mind for almost every CEO we spoke to, with many sharing deeply personal insights into how the experience of leading their people and organisations through this time had pushed them to reconsider and ultimately reconceive what it means to be a leader.

Leaders rethink every aspect of business amid volatility and uncertainty

People is near the top of the list for many of the CEOs we spoke to. A new generation of younger employees entering the workforce expect more from their work than just a pay check, and many of the leaders we spoke to are keen to deliver a work experience that is inspiring and motivating. We explore this topic in detail in the Stakeholder Engagement section.

Also near the top of the list was the constant need to address **"unknown unknowns"** amid constant volatility and uncertainty. As we discuss in the Risk and Resilience section, this has led many leaders to manage in a more flexible manner, has increased the importance of financial discipline and made many more open to seeking external advice than they would have been even five years ago.

Other topics that are being deeply reconsidered are the way leaders are facing **personal and professional challenges** and how they operationalise **core leadership principles**.

Leaders faced personal and professional challenges amid the pandemic

On the one hand, there was a realisation that a CEO's core responsibilities remained unchanged during the pandemic. CEOs needed to navigate changes, manage the company and its resources in a manner that maximised growth and returns and meet their responsibilities to a wide range of stakeholders.

CEOs in the region have experienced deep personal vulnerability through the pandemic and are taking advantage of support such as coaching or mental health services.

At the same time, they faced a great deal of uncertainty as pandemic control measures changed frequently, and some had to make difficult decisions. For example, the CEO of a co-working space provider operating in eight markets across APAC saw 90% of peer companies in his industry shut down and was forced to cut costs in unorthodox ways, such as asking full-time employees to work in shifts.

Multiple CEOs had to work remotely from their teams for extended periods of time, in some cases for more than a year, due to travel restrictions and other business considerations.

The CEO of a telecom and technology solutions company shared details of the personal and professional struggles he faced during the pandemic. He explained how the need to cut staff – important members of the team who were committed to their jobs – "drove me into clinical depression. I was completely... out of it for about six months...I was going though unprecedented company challenges...I just came off meds [antidepressants] last month."

CEOs are challenging core leadership principles

CEOs had to rethink their approaches to leadership as the rapidly changing pandemic environment continuously forced them to pay attention to short-term, executional issues. Some indicated that this sometimes prevented them from formulating and executing longer term strategies. In this situation, they found themselves making consequential trade-offs over where their time was best spent.

CEOs also recognised the need for a more motivational, mission-driven type of leadership that connected with how people were thinking about their purpose in life and why they work. Amid the pandemic, leaders had to take the time to show their staff that they were doing something more than just putting in hours as automatons working to meet a corporate goal.

The leader of a hospitality chain with more than 2,300 employees in Greater China provided a good example when she pointed out that many younger employees are champions of sustainability and care about the future. She explained, "if they believe that their company and their CEO really want to make a difference in the world, they become excited to be a part of the change."

Other key insights

- CEOs in the region have experienced deep personal vulnerability through the pandemic and are taking advantage of support such as coaching or mental health services.
- Leaders recognised the need to balance their focus on strategic planning and execution with authentic engagement with management peers, external stakeholders and – perhaps most importantly – employees, bringing more of a personal touch to their business activities and interactions.
- The corporate environment influences leadership style. Running a family-owned business is often values-based and consensus-driven as interpersonal relationships are as important as financial results. Listed companies, on the other hand, generally operate in a more "rules-based" manner.

Corporate Purpose, Values and Culture

Many of the CEOs we spoke to indicated that the pandemic had pushed them to place greater emphasis on their company's purpose, values and culture.

While most countries and territories in Asia are now exiting pandemic measures, leaders see real value in maintaining this approach to leadership, particularly as a wave of younger workers enter the workplace and ask questions around why people work and what they get out of it.

Purpose, values and culture are a company's "North Star"

Leaders explained that employees want to find fulfillment in what they do. Having a well-defined corporate purpose, values and culture is an increasingly strong consideration when young employees choose an employer, and it can subsequently strongly influence how long they stay and how much energy and passion they put into their roles.

Leaders also recognised the importance of "walking the talk," ensuring that the company's purpose, values and culture are reflected in day-to-day operations, seen in leaders' working styles and evident in decision-making processes and outcomes.

As a result, leaders tended to position purpose, values and culture as stabilising factors for their companies amid turbulent times. The CEO of a Chinese real estate and logistics space investment company with over 5.1 million m² of gross lettable area summed this up by saying, "Despite the rapidly changing macro environment, the mission, vision and values do not change. They are like the 'North Star' of the company. The core values are like an anchor to the company's existence and give direction for executives to think about how to navigate volatility."

That said, the CEO of the co-working space provider mused that there is still a general sense that Asians are very pragmatic, and when companies have a defined purpose, they do not question or challenge whether they believe in it or not.

While younger workers emphasise the need for a sense of meaning and belonging in a workplace, the leader of a Hong Kong-based private equity firm said older employees are generally more interested in issues such as the company's succession plan, the company structure and the potential for partnerships in their industry.

Clear and frequent communication is key to values-based leadership

Another CEO indicated that one of the key challenges of managing in-line with the company's purpose, values and culture is one of articulation. He takes every opportunity to communicate the company's purpose and mission, repeating them in townhalls, during one-on-one meetings, at dinners and as part of end-of-meeting recaps. He also ensures that senior management is on-board and repeating the same concepts in similar situations.

The leader of a Japanese sustainable data company acknowledged that it can be easy to get lost in the details of day-to-day management and lose sight of the corporate purpose. He mentioned that he reminds himself "about the mission of the company on a day-to-day basis and communicates that with employees, customers and prospects."

The CEO of a sports media company with presence in 10 Asian markets proposed a slightly different approach, highlighting the importance of storytelling as a conduit for embedding culture. He said, "The values of the organisation must be live and present, and visible for all to see through the stories that they tell. The stories that they tell must exemplify their core values." He also stressed that the stories should be relevant to all employees.

"Culture is the company. Culture is what we do by instinct whenever there is uncertainty. Everything revolves around it, and culture is what you do when people are not watching."

CEO of a telecom and technology solutions company

The leader of the Japanese sustainable data company took this one step further, indicating that, if carefully thought through, these stories can also be used to "attract prospective customers and employees."

That said, leaders also recognised the importance of "walking the talk," ensuring that the company's purpose, values and culture are reflected in day-to-day operations, seen in leaders' working styles and evident in decision-making processes and outcomes.

This was evident in the approach of the CEO of a data centre service provider in China who said that he has spent substantial time with more junior product teams since the onset of the pandemic, encouraging them to build a culture that combines creativity and discipline and brings the team together around a common purpose.

The leader of one of Hong Kong's premier fintech companies put this another way, saying he wants to ensure the team has a clear end target and a focus on winning, as this contributes to camaraderie within the team and helps build cohesiveness and unity.

Purpose, values and culture vary across stages of development and geography

Against this backdrop, many leaders were aligned on the fact that a company's purpose, values and culture should not be static, but should evolve as the company grows and changes. This does not mean they change overnight; otherwise, they could not serve as a "North Star" amid uncertainty. However, it means that they can be altered at different stages of business development.

For example, start-ups are heavily influenced by their founders, who often spend a lot of time refining their company's purpose, values and culture to ensure they align with their business strategy and personal beliefs. On the other hand, the purpose, values and culture of bigger companies tend to be more mature and connect directly to the operations, services and products they provide.

As the CEO of the telecom and technology solutions company explained, "Culture is the company. Culture is what we do by instinct whenever there is uncertainty. Everything revolves around it, and culture is what you do when people are not watching."

The development stage of the company is not the only factor that can influence the articulation of corporate purpose, values and culture. One of the most interesting points that emerged from discussions with leaders was how geography impacts these elements.

In China, for instance, most companies align their business plans – and their purpose, values and culture – with the Chinese government's Five-Year Plans, which regularly set out a program of social and economic development targets for the nation. In such a highly regulated market, supporting the national agenda must be part of every company's purpose, central to their values and fundamental to their corporate culture.

However, Japanese CEOs did not mention government or policy considerations when they discussed purpose, values and culture. Leaders of an ecommerce aggregator explained that they try to inspire pride among their employees by getting them excited about the potential of the company's products to improve quality of life, boost the Japanese economy and enhance Japan's position on the world stage.

The CEO of a payment solutions unicorn from Japan and Southeast Asia said, "I want people to see that we are a truly global company. The fact that we are borderless is ingrained in our company's mission and vision, that access to the digital economy is for everyone."

Other key insights

- Even as leaders recognised that the importance of purpose, values and culture had increased during the pandemic, some saw a need to rebuild corporate culture following the pandemic. They focused on reinforcing the sense of common purpose among employees and management after extended periods of remote working.
- Sustainability has proven to be a strong rallying point for corporate purpose, values and culture as employees and management have increasingly converged in their recognition of the dangers of climate change and the need for urgent action.

Risk and Resilience

Executives across sectors and geographical boundaries agreed that during the pandemic, agility – the ability for business to make decisions flexibly – was key to keeping their businesses afloat.

As the CEO of a knowledge management start-up employing about 500 people pointed out, "The key to resilience is adaptability and being able to derive positive energy from change, being quick in executing changes."

It is not just the pandemic that has put a premium on adaptability. CEOs have long been faced with a wide range of what has famously been referred to as "known unknowns and unknown unknowns." As mentioned in other sections of this report, these unknowns range from the continuing impact of the pandemic to heightened geopolitical tension, rising economic uncertainty, the increasingly evident effects of climate change and rapid technological change.

A significant number of CEOs maintained that, despite increased tension, they see no imminent threat to geopolitical stability in the region.

Many leaders acknowledged that they were concerned by the perception of heightened geopolitical risk globally and across Asia. Some companies' operations have already been directly affected – particularly by the Russia-Ukraine war or tensions between China and its trading partners and neighbours – but virtually all had observed a higher degree of risk-aversion among investors.

As the leader of a private equity firm with an over-30-year history stated, "Investors used to talk more about concerns such as capital market conditions and exit opportunities, but now they are a lot more concerned about geopolitical factors...[which] makes investors very nervous. As a result, the firm has to craft more discreet strategies than before, as opposed to a broader [risk management] strategy."

This aligns with comments by the leaders of an ecommerce aggregator who said "We need to find solutions when they [geopolitical developments] happen. And for us, that's just a kind of a walk of life and a walk of business."

At the same time, a significant number of CEOs maintained that, despite increased tension, they see no imminent threat to geopolitical stability in the region.

Shorter planning cycles emerged during the pandemic

Against this backdrop, several CEOs indicated that it has become more difficult to develop and implement long-term corporate strategy. This was most apparent in the depths of the pandemic, but in some cases, has not ameliorated even as Covid-19 has receded in most countries and territories.

Indeed, several leaders indicated that they had shortened their corporate planning cycles in a bid to ensure that their business strategies remain relevant to the rapidly changing market environment. In some cases, CEOs were restricting their planning to periods as short as six months and jettisoning conventional key performance indicators (KPIs) to maintain maximum business flexibility. The leader of the private equity firm with an over-30-year history explained that in addition to becoming shorter term, his planning approach has also had to become more granular.

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Despite this change in approach, all of the leaders we spoke to believed that the ultimate direction of their company remained clear – but leadership teams have had to be increasingly opportunistic and constantly reorient to maintain course towards that objective.

Uncertainty is leading to funding challenges

One truism of financial markets is that investors are allergic to uncertainty. As the leader of the Singaporean real estate development company explained, "We take calculated risks." The knock-on effect is that companies sometimes face contradictions as they attempt to navigate a path toward opportunity and growth.

For example, this particular CEO recognised that amid heightened uncertainty, there was value in asset diversification. At the time of our discussion, he felt the company was overly dependent on the hotel industry for revenues and profitability. At the same time, he was adamant that, with so many unknowns on the horizon, "we are not going into new asset classes that we have no experience in."

In fact, some leaders indicated that they are curtailing investments. The leader of the Hong Kong-based private equity firm indicated that U.S. investors, for example, are currently reluctant to invest in China. Other leaders are delaying investments until 2023 after the U.S. mid-term elections and China's Central Party Congress.

As the CEO of the co-working space provider added, "[Amid volatile times,] financial discipline is the most important. If you have no financial discipline, there's no way you can be resilient."

Information is power

The prime importance of reliable information was raised repeatedly in our discussions about risk. The leader of the Singaporean investment company said that "resilience comes with understanding the risks. Once risks are identified, one can start mapping out potential scenarios" and taking steps to ameliorate, if not eliminate, risk.

Leaders were vocal with praise for the strong partners that they work with in identifying and mapping risks and undertaking scenario planning. Three key sources of valuable information came up repeatedly:

- Internal partners who marshal the collective knowledge of the company;
- Members of the board of directors who know the company well and bring interesting perspectives from their experiences with other companies or in other industries; and
- External partners, such as third-party consultants who help them plan for uncertainty and academics who help them understand esoteric, but often crucially important aspects of the market.

Other key insights

- The CEO of the telecom and technology solutions company emphasised that, despite sometimes seemingly overwhelming uncertainty, "a safe environment has to be created for innovating and testing things out" in order to develop the products and services that will drive future corporate growth.
- The leader of one of Hong Kong's premier fintech companies indicated that the macro environment has little or no impact on day-to-day operations as his company is relatively small. While this was not a common view, it gives insight to the way that less geographically dispersed businesses might approach decision making.
- Emphasising the importance of reliable information and proactive planning, the leader of the hospitality chain in Greater China highlighted how lessons learned during the 2003 SARS epidemic in Hong Kong helped her company navigate the early stages of the pandemic.

Stakeholder Engagement

Over the last few years, we have witnessed a growing call for companies to generate value for a wider range of stakeholders, not just shareholders.

To accomplish this, companies and their leaders must understand what constitutes value and where pain points and areas for potential collaboration may be. The CEOs and leaders we interviewed were clearly aware of this evolution toward what has been labelled stakeholder capitalism, but were at very different stages of embedding a comprehensive stakeholder engagement strategy into their business models.

Prioritisation is needed amid a complex stakeholder universe

When leaders were asked about their overall strategy for engaging with stakeholders – including governments, regulators, institutional and retail investors, employees, customers and NGOs, to name a few – the consensus was hardly surprising. The leader of a Chinese commercial and residential property developer with over 3,150 employees summed it up as follows, "Stakeholder engagement has become a lot more complex as different stakeholders are more intertwined. There is also a higher expectation on transparency."

In this context, it was widely recognised that CEOs must rigorously and methodically prioritise their stakeholder engagement strategies. Most recognised the need to delegate engagement to C-suite peers when possible, both to optimise the use of the CEO's time and to ensure that CEO participation carries weight and influence in key stakeholder engagement moments. These moments could include meetings with heads of state, major institutional investors and/or limited partners (LPs).

Our discussions invariably addressed several key stakeholder constituencies, which we address individually in the following sections.

Government and regulator engagement driven by subject-matter experts

While governments and regulators were widely acknowledged as critical stakeholders, there was a recognition that most government meetings do not require the presence of the CEO. More often, it is more efficient for subject matter experts in the management team to lead direct engagement and report back to the CEO and the Board of Directors.

"I do not worry too much about the national policies as the industry is not heavily regulated, but we are still keen to understand if our tenants are at risk as there may be secondary impact on the company."

CEO of a Chinese real estate and logistics space investment company

One example of this is regulatory oversight, which often entails industry consultation and includes calls for input from businesses, organisations and commentators in affected sectors of the economy. This is clearly an area where input from a subject matter expert would be preferred to the direct involvement of the CEO.

Engagement with the government also depends on the geography in which a company operates. As mentioned in other sections, direct engagement and alignment with the central and/or municipal governments is necessary in markets such as China, where the state has substantial impact on businesses strategies and operations.

For example, the CEO of the Chinese real estate and logistics space investment company mentioned, "I do not worry too much about the national policies as the industry is not heavily regulated, but we are still keen to understand if our tenants are at risk as there may be secondary impact on the company." He also stressed the importance of communicating with the local authorities, as these are the officials the company interacts with most frequently.

In economies where government influence is less material, the frequency of direct contact with officials seems to depend on how proactive the government is in private sector outreach and how strictly regulated the industry the company operates in is.

Investors in the spotlight

Despite the ongoing shift toward a wider definition of stakeholder capitalism, the CEOs we spoke with almost universally ranked investors among their most important stakeholders. However, this is an area that requires limited direct CEO engagement since it falls under the CFO's purview, and many companies have professional investor relations teams.

That said, for listed companies, CEOs are required to engage in periodic earnings calls and annual shareholders meetings. CEOs of smaller private companies and family-owned businesses are in a very different situation, with many indicating that they usually have regular contact with key investors, who in many cases are also trusted advisors.

Regardless of the size of the company, the pandemic affected this dynamic directly. The CEO of an Asian bank commented, "I haven't seen my top investors for three years now due to border closures."

Of course, investors are concerned about macro events that could affect their stakes in a companies and often closely track news and industry trends that could impact company performance. The leaders we spoke to discussed some of the key concerns they hear voiced by investors:

- **China** currently tops the agenda in Asia. The country's growth potential is a key factor, particularly as the Asian Development Bank recently lowered its 2022 GDP growth forecast for China to 3.3% from its 5.0% projection in April [2].
- **Geopolitics** also tops the list, with investors concerned over relations between China and the U.S. and its neighbours in Asia. Similarly, many are watchful of how the Russia-Ukraine war is influencing political and economic dynamics in Asia.
- **Talent** was brought up frequently, as the widely discussed war for talent has led investors to question whether companies have the right people in the right seats and if these individuals are compensated appropriately.

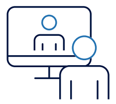
"Older generations of workers were largely loyal to the company...[but] leaders now have to convince and demonstrate... why employees should do something and why it is the right thing to do."

Leader of one of Hong Kong's premier fintech companies

[2] https://www.adb.org/news/economic-growth-peoples-republic-china-moderate-3-3-2022#:~:text=News%20Release%20%7C%2021%20September%202022&text=MANILA%2C%20PHILIPPINES%20(21%20September%202022,Asian%20Development%20Bank%20(ADB).

Employees assume outsized importance

As highlighted above, the focus on talent has assumed an outsized importance in recent years. This shift has been driven by a combination of global trends such as the Great Resignation, the growing prevalence of quiet quitting, a younger generation entering the workforce, advances in technology and the impact of the pandemic.



Advances in technology have also fundamentally impacted employee relations...face-to-face meetings remain important but are now supplemented by a growing array of technologically mediated channels.

The leader of one of Hong Kong's premier fintech companies summed up the generational implications of employee engagement by explaining that "older generations of workers were largely loyal to the company...[but] leaders now have to convince and demonstrate...why employees should do something and why it is the right thing to do." More direct communication and demonstrations of understanding are considered necessary to stabilise the ship, and a more authentic style of communication is appreciated, especially by younger employees.

Advances in technology have also fundamentally impacted employee relations, with the CEO of the Chinese data centre service provider highlighting that face-to-face meetings remain important but are now supplemented by a growing array of technologically mediated channels such as email, WeChat (i.e., instant messaging), LinkedIn and online meetings.

Finally, the pandemic cannot be discounted as a major force reshaping how CEOs engage with their employees. As discussed in the Purpose, Values and Culture section, many CEOs strengthened their employee engagement at the height of the pandemic, with one CEO explaining that in situations like this, "companies can check in every day with employees" and that "leaders need to communicate and show appreciation" for what their employees do.

As mentioned in the Leadership section, as countries and territories in Asia have started to relax pandemic control measures, some leaders have opted to maintain higher levels of direct contact with employees. This was cited as particularly important in engaging the hearts and minds of younger employees joining the workforce.

Boards of directors more involved than ever

With the operating environment for CEOs and the companies they run becoming increasingly complex, the days when corporate boards met once every financial quarter are long past. The CEO of the telecom and technology solutions company described a process by which "the board and management think through problems together [and] they build consensus and alignment. If things do not work out, it's a collective decision."

This more collaborative relationship between boards and management necessitates regular engagement at an increasingly detailed level. The CEO of the co-working space provider explained that sometimes weekly updates to the board are required to ensure alignment on expectations and results.

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This shift goes hand-in-hand with the increased prominence of Independent Non-Executive Directors (INEDs), who are currently required to comprise at least one-third of boards in Hong Kong[3] and Singapore[4]. The increase in the number of INEDs means that boards can be an increasingly valuable source of insights based on deep knowledge of the company, while also drawing on lessons from other companies or industries in which they have experience.

Other key insights

- Media has influenced the way that stakeholders judge a company's performance. Whereas in the past, media may have focused almost exclusively on financial performance, they now look at delivery and execution, as well as non-performance metrics such as ESG.
- In the case of start-ups, attention to delivery and execution is complemented by a high degree of scrutiny of the founder. If stakeholders believe in the founder, they tend to have a higher degree of trust in other areas as well.

[3] https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Continuing-Obligations-and-Annual-Listing-Fees/Continuing-Obligation-Fee/chapter_3.pdf?la=en

[4] http://rulebook.sgx.com/entiresection/7445

ESG

The CEOs we spoke to across Asia all recognised the growing expectations placed on them to support the decarbonisation of the markets they operate in and to create inclusive, equitable and prosperous employment and economic opportunities for their people.

Social value comes first, with environmental coming in second

While "E" has traditionally been the most examined pillar of ESG, the leaders we spoke to stressed the importance of the social element, with many putting it at the top of their sustainability agendas.

One reason for this is that the social pillar has the most direct impact on a range of stakeholders, with employees being among the most important of these. This was accentuated during the pandemic, when corporations were called on to provide unprecedented support to employees, their families and communities.

In addition, CEOs talked about how emphasising social value has the potential to elicit goodwill from governments, regulators and local communities. This commitment to social value does not necessarily require significant financial commitment, but does need to be done in a genuine manner. In some cases, a truly engaged and effective social program can yield a competitive advantage to a company.

Many of the leaders also highlighted the importance of diversity, equity and inclusion (DEI). CEOs expressed strong commitment to advancing the position of women in corporate structures. In this area, the challenges loomed large; however, successes were widely celebrated.

The leader of a Singaporean investment company explained the current situation by saying, "Particularly in Asia, people do not like working with an unknown quantity [someone outside the usual pool of candidates], as you don't know how the dynamics will work out. So it is not about the technical ability of women, but the social dynamics." In the case of board appointments, the same leader highlighted the fact that many male-dominated boards are reluctant to appoint a female who they do not know. In many jurisdictions, this could lead to a commitment to the individual for up to nine years. The individual concluded that "the tendency is to say, 'I'll go with a known quantity.' It's a vicious cycle. If you are unknown, then you remain unknown."

While "E" has traditionally been the most examined pillar of ESG, the leaders we spoke to stress the importance of the social element, with many putting it at the top of their sustainability agendas.

All acknowledged that progress on DEI has been far from sufficient in the region, but were optimistic that companies, leaders and regulators are moving in the right direction.

Capital market considerations are a key driver for ESG strategy

While some CEOs cited personal motivations for their commitment to ESG, most acknowledged that the strongest push for their corporate sustainability agendas often comes from investors.

Many mentioned that a clear ESG strategy is particularly valued by institutional investors, who ask a wide range of ESG-related questions regarding company operations, raising challenges when it comes to the social pillar. While governance standards have long been codified, and environmental disclosure requirements are being formulated, ways to measure and evaluate community and employee engagement have yet to emerge.

> **"I do not believe in wearing a cloak of ESG just for the sake of it. An ESG strategy needs to be win-win and make sense from a business perspective and must fit the business strategy."**
>
> Leader of one of Hong Kong's premier fintech companies

This is a crucial consideration for start-ups looking to go public, as they will face a high degree of scrutiny as a result of exchange reporting requirements and demands of investors. As a result, companies aiming to attract long-term capital are particularly keen to highlight how ESG factors into their planning and strategy formulation.

In extreme cases, companies that lack clear ESG frameworks may be considered to lack insight regarding the long-term development of the business. In this context, one executive said that it sometimes feels like investors are forcing companies to make progress on ESG, but that it does not matter why companies do it – as long as it is done right.

ESG is recognised as important, but practical progress is limited

Although investors have arguably been the primary drivers for ESG to-date, our discussions highlighted the important role that leaders must ultimately play in advancing corporate ESG agendas.

Although all of the CEOs we spoke to have implemented certain ESG initiatives and are aware of the potential benefits to their businesses and society, few have made sustainability a core corporate strategy. Reasons for this included the perception that they lack ESG capabilities, that they do not face sufficient demand for it, the need to prioritise resources and the financial costs of ESG programmes.

We saw the most progress in highly purpose-driven companies, where founders and employees are deeply invested in generating value for a broader set of stakeholders. In these cases, everyone in the company – from junior employees to management – was cited as being personally committed to ESG as a point of identity and pride.

ESG places high demands on leadership but needs ownership from employees

Every CEO we spoke to agreed on the need for ESG to be championed by senior management. The leader of the hospitality chain in Greater China said that "sustainability culture...needs to be built within the organisation. I think it needs to be filtered down to every level...[so] all of our colleagues...embrace it. Hopefully it will also be reflected in the services and products we offer and extend from senior management and service staff to our suppliers and business partners."

Extending this idea, the leader of the Chinese property developer shared, "When you see the push [for ESG] coming from the bottom instead of the top, you know the team is getting there. If it is from the top-down only, the energy and entrepreneurship may not be as strong."

Asia's Next Generation of CEOs and Corporate Leaders

The CEO of the Chinese real estate and logistics space investment company brought this statement to life when he explained how his company brings together management and employee representatives to co-create and localise ESG goals and requirements. He indicated that working with employees to develop sustainability targets "raises confidence and injects soul into the ESG agenda."

However, the constantly changing ESG landscape requires leaders to commit to a long-term sustainability roadmap. The leader of the Hong Kong-based private equity firm admitted that she sometimes feels she is behind the curve on ESG, suggesting that "it is like a full-time job, and it is very difficult to keep track of news and trends if there is no one dedicated to the efforts."

While leadership responses differed on the overall topic of ESG, several consistent themes emerged:

- **Environment** – Many of the CEOs we talked to saw this pillar as core to their personal values. This motivation is, of course, amplified by the chorus of demands from other internal and external stakeholders.
- **Social** – The majority of CEOs consider it important to take care of their employees' health and wellbeing, believing that they cannot provide good service to clients and partners if they are not healthy themselves. This intensified during the pandemic, with several indicating that their touchpoints with employees increased during the period and have remained elevated in the aftermath.
- **Governance** – All CEOs, whether of listed, start-up or family-owned companies, face a high degree of scrutiny in the governance pillar, which arguably encompasses and enables action in the environment and social pillars. This comes from regulators and exchanges, but also increasingly from investors, who will not participate in fundraisings without being comfortable with a company's ESG agenda.

Overall, most leaders believed that concrete action on ESG could be a win-win situation for the environment, society and the company. As the leader of one of Hong Kong's premier fintech companies explained, "I do not believe in wearing a cloak of ESG just for the sake of it. An ESG strategy needs to be win-win and make sense from a business perspective and must fit the business strategy. So whether it's diversity or the environment, the company is not going to do something just for the sake of it."

Other key insights

- Multiple CEOs pointed out that complying with the wide array of ESG reporting standards across countries, territories and jurisdictions is quite challenging. At the same time, collecting the appropriate data for reporting and supporting decision-making processes was cited as a perennial challenge: "Without managing data, we can't manage sustainability."
- Several leaders suggested that companies in Singapore have moved beyond the question of why companies should embrace ESG to how they can effectively embrace and implement sustainability. At the same time, some felt that Hong Kong companies are still debating whether ESG should be voluntarily implemented at the company level and are thus lagging on implementation.
- In Japan, DEI was highlighted as a real challenge, with female representation being one of the core issues. Similarly, DEI was seen primarily through a gender lens in China, and did not generally include differently abled individuals, those with varied sexual orientations or identifications or minority groups.

The Future of Work

When we asked CEOs to share their views around the future of work, we found it was a major focus for how they think about the future design of their organisations.

Young employees want more flexibility

The split on the desire for hybrid work was stark across age demographics, with older employees reportedly preferring to work in the office – likely due to constraints at home such as house size or the presence of children – and younger employees overwhelmingly wanting to work from home (or a café).

This age divide extends into other areas as well, with leaders reporting that their young employees are more demanding than previous generations. Younger employees are looking for active training programs, the ability to work across multiple divisions of a company and opportunities for rapid advancement.

Responding to this demand, the leader of the Singaporean real estate development company said, "We want to offer more job rotation between different business units. I think having that more varied experience is something that may appeal to some at least."

As mentioned in other sections of this report, these younger workers are also looking to gain a sense of personal meaning from their work. This contrasted with veteran workers, many of whom are established in their careers and more focused on stability and predictability than on a sense of purpose.

Technology has fundamentally changed leadership models

Amid these myriad demands from employees and other stakeholders, leaders recognised that the pandemic had been a training ground of sorts for the future of work. This included learning to work in a hybrid model and leveraging new technology. For example, video conferencing is now as common as a phone call once was.

However, the pandemic also required leaders to manage in a different way. The leader of the Chinese property developer explained that the pandemic had led to a more decentralised management model, as "empowering the local management team to make decisions is also crucial in leading remotely."

While most of the CEOs we spoke with have implemented some form of hybrid working model, the majority favour having employees return to work for most, if not all, of the working week.

One thing was very clear about the future of work: whether leaders are adopting fully flexible working arrangements or allowing one day a week of work from home, the future of work will be more collaborative and cross disciplinary, and hybrid working is here to stay.

Younger start-up companies are more open to new ways of working

Differences in approaches to new ways of working were particularly apparent among companies at different stages of maturity. In general, CEOs and leaders of multi-generational, family-owned companies felt bound to the views of the older generation, with many reporting to boards of directors that include members of that older generation. One result of this was a generally lower level of openness to new ways of working such as hybrid workplaces and purpose-led employee engagement.

On the other hand, the CEOs of smaller start-up companies with fewer legacy systems in place were not bound by legacy ways of doing business or more conservative views. Many of these companies were technology or finance-oriented and most had adopted flexible working models that can absorb new ways of doing business.

Hybrid work is generally accepted, with reservations

As we move into the post-pandemic world, hybrid work was one of the key topics discussed. Sentiments were split. While most of the CEOs we spoke with have implemented some form of hybrid working model, the majority favour having employees return to work for most, if not all, of the working week.

Amid these myriad demands from employees and other stakeholders, leaders recognised that the pandemic had been a training ground of sorts for the future of work.

As might be expected, start-ups and smaller businesses tend to be fairly flexible about work style, with several allowing employees to work from home the majority of the working week.

In most cases, leaders of more mature, major regional companies are more conservative. The leader of a Singaporean real estate development company said, "I think we're really missing the connection and the innovation [when we work from home]. Things happen a lot faster in the office. And that's something we want to make sure our new staff who join us experience." Many of these companies offer employees the option to work from home, but their definitions of flexible working differ significantly – ranging from one day per week to one day per month of remote working.

The leader of the hospitality chain in Greater China was an outlier, explaining that although her company is large enough to span multiple markets, she believes, "so long as the KPIs are clearly set and agreed upon, employees should be entrusted and empowered with both the freedom and autonomy to deliver on their targets as they see fit."

The split between small and large companies was not absolute, with the operating principle best summed up by the CEO of the Chinese data centre service provider, who explained that companies need to "strike a balance between flexibility, face-time and efficiency."

Other key insights

- While some leaders see the potential for the metaverse to shape the future of work by eliminating geographical boundaries, the majority believe the emergence of metaverse workplaces is not likely to happen in the near-term.
- The location of the company also determines which work mode is preferred. Geographies with stricter pandemic restrictions naturally continue to offer hybrid working. With pandemic restrictions lifting across much of Asia, it will be interesting to see how companies expect employees to work.
- Geography is also a factor in terms of housing conditions, with densely populated places like Hong Kong not as well suited to work from home due to generally small living spaces.

Technology and Web3

Web3 – in particular the metaverse and blockchain – is a space that some CEOs we spoke to believe has the potential to fundamentally transform business and society.

That said, the level of understanding of Web3 varied widely among the interviewees. Most are maintaining a wait-and-see approach to the space or gingerly experimenting with the technology rather than making significant commitments.

Views on the potential for the metaverse varied widely. Some feel it has great potential, with the leader of the hospitality chain in Greater China believing "the metaverse will really disrupt basically every facet of life. And...within a decade, everyone will be in the metaverse just like everyone is using a smartphone." Those who are bullish on the metaverse see it as having great potential to enhance and personalise customer engagement.

Others believe the metaverse has no relevance to their core business, are sceptical due to the general lack of users in the space or are wary of the high financial commitment required for entry and development. For instance, one leader questioned whether "there is a fair use case for acquiring metaverse assets at a high price" in the sector in which she operates.

Approaches vary across industries

How leaders are thinking about Web3 varies by industry. From one perspective, the financial sector has been driving innovation in the blockchain space, with Bitcoin having led the early development of blockchain technology. Many financial firms are intrigued by the potential for asset tokenisation – taking an asset such as a building or a company and fractionising the investment opportunity via securitisation.

Meanwhile, in the metaverse space, interest was more widespread, but at the same time more muted. Property and hospitality companies saw a natural crossover with their businesses, but ultimately consider the technology – at least for now – as a way to enhance the customer experience, rather than fundamentally change it. Other leaders see the potential for the metaverse to significantly change the office experience by essentially eliminating physical constraints and borders.

Regulation remains an X-factor

Despite the very real potential for Web3 to significantly change the way we live and do business, almost every discussion of the technology ended on the same note: regulation.

The CEO of the Chinese data centre service provider pointed out that many of these technologies are fundamentally about decentralisation, which "challenges sovereignty from the government's viewpoint. It is not a technological issue but [a matter of] politics. Therefore, governments will be very careful about that."

This was a particularly salient point for companies operating across multiple geographies and for those operating in highly regulated industries. Corporates located in jurisdictions with higher degrees of regulatory risk will also have to take a more conservative stance until regulatory clarity emerges.

Waiting for a business case

Leaders we spoke to were united around the idea that technology – regardless of its form or function – is a tool that can enable the delivery of products or services. From this perspective, the metaverse and blockchain are just the latest technologies to emerge. Their adoption will depend on their potential to deliver real benefits to companies and their customers.

As the CEO of a payment solutions unicorn said, "As a business we need to remain realistic in the sense that it's not just hype – it's a very relevant product we are providing to our customers, employees and business partners."

Corporates located in jurisdictions with higher degrees of regulatory risk will also have to take a more conservative stance until regulatory clarity emerges.

One of the leaders of the ecommerce aggregator summed it up best when he said, "There is a lot of hype around Web3, but we are still in the real world. When changes in consumption patterns happen, we will need to anticipate the change and adjust beforehand."

Other key insights

- In terms of judging where we are in the development of Web3 and related technologies, one leader commented, "there is no benchmark, because no one is doing it yet."
- The leader of the private equity firm with an over-30-year history said that the popularisation of the metaverse requires large players to initiate the shift from current iterations of social media to Web3 platforms before a wider change can occur.
- Blockchain is identified as one of the most likely Web3 technologies to have a direct impact on corporates, with securitisation and supply chain management cited as some of the most likely applications of the technology.
- The leader of the hospitality chain in Greater China sees the metaverse as a potentially powerful platform to motivate behavioural change, especially in relation to decarbonisation.

Asia Outlook

All of the leaders we spoke to were bullish on the outlook for Asia, and many have active plans to expand their footprints in the region.

Their confidence is supported by strong economic growth, stable political and economic systems in developed Asia and the continued maturing of markets in developing countries in the region.

It was also pointed out that although many companies would like to diversify their operations into other Asian markets, much of the conversation about shifting production from China ignores the significant cost implications of relocating operations outside China.

A presence in China remains key

While China's economy has been dented by its ongoing Covid-zero policy, most of the CEOs we spoke to still consider it to be a high-potential market.

The leader of the Chinese property developer said, "In the long run, China will still be growing, but just at a slower pace as the economy matures." It was also pointed out that although many companies would like to diversify their operations into other Asian markets, much of the conversation about shifting production from China ignores the significant cost implications of relocating operations outside China.

Adding to this, one CEO mentioned that as one of the world's superpowers, China simply cannot be ignored. Meaning, it is not a matter of whether to have a presence in the market, but what form that presence should take.

That said, many also acknowledged the real risks associated with doing business in China, particularly due to concerns about the country's regulatory environment and continued geopolitical tensions.

Southeast Asia seen as a growth opportunity

Contrary to the mixed opinions on China, Southeast Asian countries such as Indonesia, Thailand and Vietnam were widely cited as potential engines for growth in the region due to compelling factors such as young populations and robust growth rates. The relatively early re-opening of these economies post-pandemic also made them attractive investment destinations.

Nonetheless, issues remain in the region. Leaders expressed concern that skillsets in these markets might not match what their businesses need. Similarly, the leader of the private equity firm with an over-30-year history expressed concern over "barriers such as regulatory and corruption issues [that need] to be managed."

Developed Asian markets are attractive for certain industries

More developed markets in the region, such as Japan and Korea, were also seen as attractive. While perhaps not as dynamic as Southeast Asian nations in terms of economic growth rates, investors and financiers, in particular, recognise the potential in these markets.

Singapore was seen as having potential as a key hub for companies, particularly those with operations in Southeast Asia. Leaders were impressed by Singapore's early relaxation of pandemic policies and stable geopolitical environment.

Other key insights

- China, from its regulators to its consumers, is a unique market with different dynamics than Western markets. As such, it requires tailored solutions and robust risk planning.
- One of the interviewees suggested that growth in Asia could be limited as market trends are driven by elimination, meaning that the primary growth driver will be M&As that make incumbents bigger and more dominant, rather than fresh ideas from innovative companies.
- Interviewees diverged on the impact of geopolitics in the wider region. Some see Asia as relatively uninfluenced by geopolitical developments, while others see geopolitics as a significant factor that could impact growth in the long run.

Conclusion

The next generation of CEOs interviewed for this report have all assumed their leadership roles in a period of great global volatility. In this sense, they are natives of uncertainty and rapid change.

That said, the seismic shifts we have seen in the world over the last few years have caught many off-guard. To build organisational resilience against future shocks, they recognise the need to prepare for an array of economic, geopolitical, regulatory and technological developments. They also understand that they cannot plan for all scenarios. Financial discipline, organisational agility, careful tracking of technological developments – including Web3 – a clear sense of purpose and a culture that can withstand hard times are the levers repeatedly cited as core to operating resilient and sustainable businesses in this unpredictable environment.

Through our conversations, it was also clear that this generation of leaders recognises the ever-growing expectations they face as stewards of considerable resources and the livelihoods of many. They understand that their obligations extend well beyond the value they create for their investors. They understand that the role of the CEO has evolved.

They are corporate strategists, brand builders, spokespeople, diplomats in a fractured world, crisis managers, social justice advocates and more. They are responsible for developing a vision for their organisations, leading diverse teams, building trust among stakeholders, showing integrity and transparency in leadership, delivering financial results and a financial track record. They execute on these responsibilities amid a changing economic environment of lower growth and high inflation, an evolving regulatory landscape, digital transformation, growing corporate governance requirements, expectations around sustainability commitments and changing employee preferences.

To effectively navigate these dynamics, the support of both peer networks and trusted partners has never been more critical. Internal and external partners with a field of vision across every aspect of their businesses – strategic, financial, people, risk and operations – are crucial.

It is a privilege for the teams at Teneo to work alongside the next generation of Asian business leaders as they build the regional and global industry-defining businesses of today and tomorrow.

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