



MEDIA RELEASE

Winning in Asia – a blueprint for success

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- Companies that are internationally diversified, create more value for shareholders than companies that are domestically focused.
- Only seven per cent of board members and senior executives of ASX 200 companies would qualify as 'Asia-capable'.

(11 August 2020) *Winning in Asia: Creating long-term value* is a landmark new report that seeks to provide answers to many of the questions from business leaders, policy makers and investors about what it takes to succeed in the competitive markets of our region.

Two years in the making, the report, in a most comprehensive way, tackles some of the commonly held misconceptions about the challenges of doing business in Asia and offers the latest, evidence-based insights about who is succeeding, why they are succeeding and importantly, what lessons can we learn from them.

Winning in Asia is the result of a partnership between Asialink Business – the National Centre for Asia Capability – the Commonwealth Bank of Australia (CBA), the Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and The Sid and Fiona Myer Family Foundation.

The report draws from more than 300,000 data points and features leading insights from authorities on doing business in Asia, including Boston Consulting Group, Ellerston Capital and Cooper Investors, as well as numerous case studies and interviews with a range of corporate leaders and subject matter experts.

Overseen by a [taskforce](#) of pre-eminent Australian business leaders, *Winning in Asia* is very much a report by business for business. It is released at a most challenging time for the Australian economy with the findings and conclusions to be considered in the context of mapping a sustainable, long-term recovery from the coronavirus pandemic.

Asialink Business CEO, **Mukund Narayanamurti**, says: "Winning in Asia has never been more important to Australia's economic prosperity. Going forward sustainable long-term growth in the performance and returns of Australian businesses will be even more dependent on Asian markets. Winning in Asia's highly competitive markets will be central to sustaining our per capita income levels, adding sustainable jobs to the workforce, and growing our long-term pool of national savings. Our largest companies will be central to this proposition. We are confident that this body of work can serve as a blueprint to guide future engagement and success with the Asian region."

Winning in Asia examines four key areas:

- Does offshore expansion lead to superior returns?
- Which companies have succeeded in Asia and what are their business models?
- What capabilities do boards and senior executives need to enable corporate success in Asia?
- How do businesses best manage stakeholders, brand and reputation in Asia markets?

Australian companies are becoming more international

The report finds that ASX 200 companies have increasingly looked offshore for growth. The aggregate amount of foreign revenues generated by ASX 200 companies grew by 26 per cent over the past five years, while domestic growth plateaued.

Exports to the Asia-Pacific region in particular boomed over the past five years, growing at a rate of 8.5 per cent per year on the back of growing demand for Australian goods and services. The Asia Pacific represents the largest share of foreign revenues generated by our major companies at 42 per cent – up from 35 per cent in 2014 – followed by the Americas at 28 per cent.

Our largest companies now generate 34 per cent of their revenues from foreign sources, more than the largest listed companies in the UK (29 per cent) and the US (26 per cent) but less than Japan (42 per cent).

Over the past five years the number of ASX 200 companies exporting increased by around 10 per cent while 26 companies now generate over 70 per cent of their revenues offshore, compared to 21 in 2014.

Chair, Myer Family Investments, **Sid Myer AM**, says: “Increasingly we are seeing Australian companies generating greater shares of their revenue offshore. It is important that this trend continues if we are to build greater levels of resilience and diversity into our economy. The pandemic reminds us that there is no room for complacency, and we must remain committed to deepening our engagement with the markets of our region.”

There is also evidence to suggest that, among larger companies, those that are internationally diversified created more value for shareholders than companies that are domestically focused. For example, those in the \$2-5 billion market cap group achieved on average 82 per cent more shareholder returns, while those larger achieved on average 36 per cent more.

Business models for success

Winning in Asia examines a range of best practice business models for succeeding in Asian markets. Through 22 case studies, this includes analysis of non-Australian companies that have succeeded in both China and India as well as Australian companies from different sectors that have successfully entered Asian markets.

CEO, Chartered Accountants ANZ, **Ainslie van Onselen**, says: “In many ways, this report is a call to action to Australian business to better understand the essential factors of competing effectively in Asian markets. We hope the report replaces uncertainty with confidence, myths with reality and a local mindset with a global mindset with Asia at the centre. Australia’s future economic success depends on it.”

On China, the report focuses on the evolution and success of local and foreign multinationals over the past two decades, with consideration of the ‘consumption upgrade’ by Chinese consumers, cultural changes in business practices, the integration of international brands, marketing and distribution across tier 1, 2 and 3 cities, the rise of e-commerce and the critical use of customer data.

Research on multinationals in India highlights a breadth of criteria, capabilities and entry modes adopted to succeed. Through analysis of returns generated, it is highlighted how in various cases the Indian operations have become the most valuable assets of various multinationals.

The report also features a selection of case studies of both Australian public and private companies that have succeeded in Asian markets, including: Cochlear, Carsales, IDP Education, Xero, Lendlease, Treasury Wine Estates, Hurricane’s Grill and The SILC Group.

Head of Asian Business Banking, Commonwealth Bank of Australia, **Jonathan Yeung**, says: “The report highlights how engagement in Asia by our top corporations supports other organisations such as private and mid-market companies to engage and succeed in Asia. It also recognises the unique aspects in strategy, structure and orientation that private companies bring compared to public companies.”

Winning in Asia for example finds that private companies distinguish themselves across three key criteria in their approach to Asian markets: relationships with family-owned companies in Asia, long-term orientation, and the use of patient capital.

As Asian markets recover from the pandemic and Australian businesses look to increase their engagement, the need to build knowledge and skills relevant to operating in them becomes more urgent.

Match Fit 2.0: Creating Asia capable leaders

Building on the Match Fit report of 2017, *Winning in Asia* features an analysis (Match Fit 2.0) of the Asia capabilities of 1,705 senior executives and board members across ASX 200 companies, which is based on a bespoke methodology.

The report finds that just seven per cent of board members and senior executives of ASX 200 companies would qualify as 'Asia-capable' – with a score greater than 50 per cent – while the average score was 13.6 per cent.

The research did however find that the vast majority of board members and senior executives had worked for companies that export goods and services internationally. Leaders on average were strongest in their knowledge of Asian markets, but weakest in their ability to adapt to Asian cultural contexts.

MD and CEO, Australian Institute of Company Directors, **Angus Armour**, says: “The results indicate that the Asia capability in our senior leadership teams remains low. Coordinated, long-term efforts to address constraints and highlight growth opportunities for business leaders will be required to shift the thinking of corporate Australia and increase engagement with Asia.”

The research found that financials, consumer staples and materials were the sectors with the highest number of Asia capable board members, while consumer discretionary, materials, financials and consumer staples had the highest number of Asia capable senior executives.

Best practice in external affairs

The fourth section of the report finds that most Australian companies operating in Asia only have a limited external relations presence in the region and that the scale is often smaller than US and European company teams.

The research finds that building adequate strength and quality in external affairs teams is essential to managing critical risks, as well as actively managing corporate brand and reputation in market. Further, it is essential for the external affairs function to be seen as a revenue enabler and not just a cost centre.

A commonly held view among Australian corporate leaders is that negative sentiment prevails in the media on doing business in Asia. However, analysis of media reporting on economic and business issues over the past three years shows there is limited evidence to suggest the media is more or less positive, negative or neutral on Asia than other regions, namely the US and Europe.

The report concludes by outlining a comprehensive strategic approach to winning in Asia, which includes strategies relevant to business, government, intermediaries, peak bodies, business councils and industry groups.

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