



Match Fit
Shaping Asia capable leaders



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Partners' introduction



The competition for business growth is a global game.

With world economic weight firmly shifting to Asia, Australian businesses need to compete to succeed in some of the biggest and most dynamic markets in our region.

Leadership that intimately understands Asia's diverse customers and has a strategic commitment to the long game is essential to success.

This report demonstrates that despite the centrality of Asia to Australia's long-term economic future, many of our nation's top business leaders are yet to take seriously the need to build knowledge of and skill in doing business with the region.

Critiquing the Asia capability of the senior executive and boards of Australia's largest public and private companies is the natural starting point for charting an agenda to shape globally minded leaders. It is these leaders who design and evaluate growth strategy, with big business often paving the way for their clients, suppliers and partners to follow. The multiplier effect of successful overseas expansion for the Australian economy is immense.

So what needs to be done to unlock the financial returns that stem from shaping Asia capable leaders? This report provides practical recommendations and pathways for success for Australian businesses to best foster and put forward leaders who will achieve wins in Asia.

Australia has a long history of being innovative, adaptive and inventive at home – from adopting new technologies to engineering solutions to challenges. Now, more than ever, it is time to take our competitive strengths into the regional and global arenas.

We are proud to have brought together the unique strengths of Asialink Business, PwC and the Institute of Managers and Leaders in this report.

This report is a call to action to the business community to get match fit for a globally competitive playing field.

We hope it will stimulate a rich discussion and inspire our nation's business leaders to take seriously the quest to develop an Asia capable workforce, beginning with board and senior executive decision makers, in order to secure Australia's future prosperity.

David Pich

Chief Executive Officer

Institute of Managers and Leaders

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Partner, Asia Practice Leader

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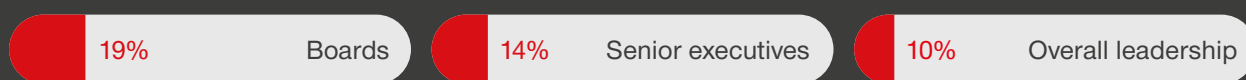
What are Asia capabilities?



Asia capabilities are a combination of skills, knowledge and experience. They are not dependent on Asian ethnicity and neither are the two mutually exclusive. An individual can build Asia capabilities through experience, training and insights.

Sophisticated knowledge of Asian markets	Extensive experience operating in Asia	Long-term trusted relationships in the region	Ability to adapt behaviour to Asian cultural contexts	Capacity to deal with government	Useful level of language proficiency
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Asia capability on the ASX 200 is low



Additionally, of the 55 ASX 200 companies that report revenue from Asia, only 24% have Asia capable leadership.

Boards and senior executive teams with an average score of 10 and above (out of a possible total score of 30) were identified as Asia capable.

Size matters

The most Asia capable companies were **twice as likely** to be large cap rather than small cap companies.

There were **four times** the number of small cap companies ranked in the least Asia capable of the ASX 200 as there were large cap ones.

Female senior executives punching above their weight

Female senior executives on the ASX 200 were at least **four times** more likely than their male counterparts to demonstrate Asia capabilities. Although male directors slightly outperformed their female colleagues, the difference was relatively negligible.

Non-listed companies more agile in Asia

On four of the six capabilities, senior executives from private companies score **twice** as high as their ASX 200 counterparts, while on the measure of Asian language proficiency, they appear **10 times** more capable.

Executive summary



There is no question as to where Australian companies will increasingly need to look for growth opportunities – Asia. Now more than ever, market forces, shareholder pressure and customer expectations are forcing Australian industry to evolve, grow and innovate. Those that fail today to plant the seeds that will secure future growth will find it difficult to remain relevant, let alone viable, beyond 2030, the year by which the world’s economic weight will shift, without question, to Asia.

Our latest census figures show how much even Australia’s domestic consumers are increasingly reflecting a multicultural Asia: 12.2 per cent of Australians declared their Asian ancestral background from the top 30 countries in the 2016 Census. For Australian businesses, pursuing growth opportunities, whether in Australia or overseas, increasingly means pursuing Asian customers or clients. Effectively leveraging these growth opportunities, however, requires talent with the right skills and experience.

Given how much is at stake, the profoundly low levels of Asia capability on the boards and senior leadership teams of Australia’s biggest companies require immediate attention and action. An alarming 67 per cent of ASX 200 board members show no evidence of extensive experience operating in Asia while 55 per cent demonstrate little to no knowledge of Asian markets. The average Asia capability score of an ASX 200 board is only 6.42 out of a possible total of 30. Senior executive teams on the ASX 200 perform even worse, with an average score of only 3.79 out of a possible 30.

Our ground-breaking research shows that the performance of businesses with leaders who demonstrate a high level of what we call Asia capability exceeds expectations. Exploring this relationship further, 80 per cent of companies with board members and senior executives that have a high level of Asia capability report that more than 40 per cent of their revenue is derived from Asian markets. Although a number of influencing factors converge to amplify a company’s success in any given market, there is a clear relationship between Asia capability and significant success in Asia.

Insights from directors and senior leaders from some of the ASX 200’s most Asia capable leadership teams emphasise the critical role an Asia capable leader plays in the decision-making process on executing a growth strategy in Asia. Having an Asia capable voice at the table provides insights into the customers or clients the company is pursuing, as well as the confidence that otherwise unseen challenges regarding the operating environment have been considered. Additionally, demonstrated Asia capable leadership needs to sit alongside a well communicated Asia strategy to influence the way investors and the market respond to any Asia engagement.

So why are Australian businesses not seizing the opportunities Asia capability brings?

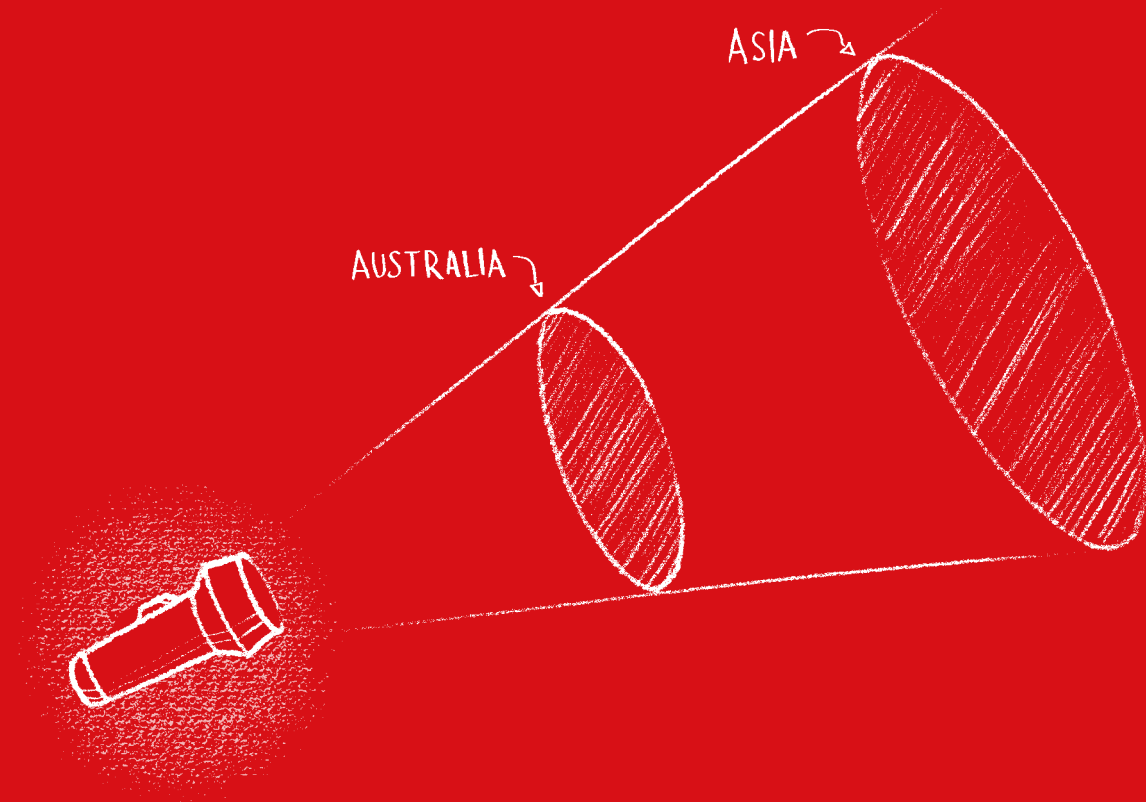
Many leaders of public companies cite analysts’ aversion to overseas investment, let alone that in Asia, as a major deterrent to their ability to pursue growth in Asia. Analysts’ negative reactions to announcements about Asia strategies are compounded by shareholders’ appetite for short-term returns as well as negative mass media commentary about investment in and from Asia. This affects public companies disproportionately, as evidenced by our analysis of Australia’s 30 largest privately owned companies, the vast majority of which demonstrate varying levels of engagement with a range of Asian markets. By contrast, only 55 of the ASX 200 report revenue from the Asian region.

The truth of the matter is that Australian businesses need to pursue growth opportunities in Asia that are unique to their niche capabilities and circumstances. Those that have done so successfully set expectations of long-term commitment to the market to elicit positive long-term returns. Ultimately Asia capable leaders will be a critical catalyst for organisational performance, driving industry success and for securing Australian jobs and economic growth in the coming decades.

Why Asia?

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Quite simply, Australia cannot afford to ignore the opportunities that Asia presents



These opportunities are well-recognised, particularly by government and business, and a strong trading relationship already exists – seven of Australia’s top ten export destinations are in Asia, representing almost 60 per cent of all Australian exports.¹

But while the growth statistics often cited about the region are strong, Australia has arguably been asleep at the wheel when it comes to direct investment in the region, with only a small proportion of Australian companies investing in Asia. In 2015, the largest destinations for direct investment by Australian entities overseas were the United States at 19.4 per cent, the United Kingdom at 15 per cent and New Zealand at 11.2 per cent. Singapore ranked fourth at 3.9 per cent, followed by Papua New Guinea, Germany and China² in equal fifth position.

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As Australian companies face increased pressure from investors, shareholders and customers to evolve, innovate and improve productivity, they must be nimble and decisive in their growth strategies.
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With growth rates set to hover at around six per cent for China and seven per cent for India³ into the foreseeable future, access to Asian markets is critical to Australia’s economic success. For many Australian companies, this success will be dependent on their ability to access the opportunities presented by the rising middle class in the region, with Asia representing 66 per cent of the global middle class population by 2030⁴. On their own, the nations comprising South East Asia, with their strong income growth prospects, will provide an estimated middle class of 400 million by 2020⁵.

“There is a realisation that Australian businesses need to [turn] towards Asia, and are struggling right across the board.”

Non-executive director, roundtable participant

Given Australia’s close proximity to the region, its strong and mature services sector and supportive trade policy landscape established through several Free Trade Agreements, it is better positioned than many of its global competitors to meet the needs of the region.

Increased demand for Australian products and services, and the job creation which results, are vital to ensuring sustained economic growth. The ability to effectively engage with our Asian counterparts, remain adaptable and understand the risks and cultural nuances of the region has never been more important.

Asia capabilities are central to business success in and with Asia

Growth into new markets requires people with the right skills and knowledge. Previous research undertaken by Asialink Business⁶ in 2012 revealed a link between business performance and the proportion of senior business leaders with sophisticated knowledge of Asian markets, understanding of cultural nuances and extensive experience in the region. A higher incidence of these critical factors correlated with business performance exceeding expectations. Conversely, respondents observed poor business performance when these factors were absent.

“Having an Asia capable board member or senior leader enables effective decision-making as the rest of the board has confidence in this member’s ability to evaluate partnerships, industry structures, relevant government policy, all of which are difficult to gauge without the right experience. They play a critical role in questioning ideas and decisions, but also in endorsing them.”

Director, stakeholder consultation

This report assesses the current level of Asia capability in Australian businesses. It does so by quantifying the presence of six individual capabilities across board members and senior executives for the ASX200. These capabilities are defined as:

- sophisticated knowledge of Asian markets;
- extensive experience operating in Asia;
- the existence of long-term trusted relationships in the region;
- the ability to adapt behaviour to Asian cultural contexts;
- capacity to deal with government; and
- a useful level of language proficiency.

When an individual has all of these capabilities, he or she is considered 'Asia capable'. It is important to remember, however, that Asia is not a single, homogeneous market. The various market nuances found across the region mean that individuals may hold these capabilities for a single country or several.

Additionally, this report assesses these capabilities within private businesses in Australia. This enables comparison with Australia's listed entities, and ensures that a comprehensive landscape of Asia capability within Australia's senior business community is captured.

The benefits of higher levels of Asia capability are clear. Not only do they help with managing risks, but increased diversity of skills encourages innovation and challenges leadership, at all levels, to consider different ideas and ways of doing business.

But it is not enough to simply tick the Asia capability box. How organisations develop and use these capabilities is critical to business success. A whole-of-business approach, which requires a willingness to value and embed these capabilities, is needed. As the stewards of their organisations, directors and senior executives have a duty to ensure they have the skillsets needed to be effective decision-makers. Companies have a responsibility to value and reward these capabilities.

"Having a token person is not the answer, it's getting every other board member up to speed."

Non-executive director, roundtable participant

Not all Australian businesses will choose to trade with or invest in Asia. However, by making themselves more aware of Asian cultural values and mindsets, businesses will be better able to connect with a significant and growing level of Australia's consumer demographic, and potentially position themselves strategically for investment flowing from the region.

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Australia has a significant diaspora originating from Asia – the Chinese diaspora is estimated at 1.2 million, and the Indian at 610,000⁷. Australian enterprises need to capture the trade and cultural links of these communities, and understand them, both as employers and as entities seeking to capitalise on opportunities in the region. This will require effort and change: only around four per cent of the ASX 200 board members are of Asian descent, well below the 12.2 per cent of Australians declaring their Asian ancestral background from the top 30 countries in the 2016 Census.
.....

Australian businesses need to have the right frameworks in place to ensure they are harnessing existing Asia capabilities and fostering the development of these crucial skillsets. By assessing the level of Asia capability across our leading listed and non-listed entities, this report provides a baseline from which we can measure future improvement.

Methodology

The data and analysis used for this report focuses on board members and senior leaders. Board members included were those with a director role on a Board of Directors, while senior leaders were defined as those occupying the roles of Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operations Officer (COO), including any other roles with different titles but designed to perform similar functions. The research also considered whether a member of the executive or senior leadership team had overall carriage of the organisation's Asia-related sales or operations and if so, included this individual in the evaluation process.

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The study considered the top 200 companies, by market cap, listed on the Australian Stock Exchange on 8 November 2016. A total of 1223 board members and 489 senior executives from these entities were assessed against each of the six Asia capabilities.
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In addition, leaders from BRW's top 30 private companies in Australia were assessed, comprising 153 company directors and 57 senior executives.

To rate each individual's level of competence in each of the capabilities, a six-point rating scale, akin to a Likert scale, was used, with zero indicating the lowest level of capability and five indicating the highest level. A linear scale was the most appropriate option as it allows for a sliding scale of measurement of capabilities, which are not binary. Of the sample studied, all possessed varying degrees of Asia capability and the scale accounted for this variance.

Evidence to support the scores assigned for each individual's level of Asia capability was drawn from a number of sources, beginning with their career summary on their company website, along with their profile on LinkedIn, Bloomberg and Standard & Poor's databases. The age and nationality of each person was also captured to identify any trends that existed alongside their Asia capabilities.

The assessment of each person's level of Asia capability is contingent on the depth of information available about their employment history, experience, skills and other biographical factors.

Some limitations in the data included the lack of detailed profiles on LinkedIn for some older directors and senior leaders, which constrained the triangulation of their capability assessment. The impact of this limitation is low, however, given the assessment of Asia capability is consolidated at a company level. Five non-listed companies in the sample had limited data for the majority of senior executives and ten companies for the boards.

The research examined a number of financial indicators, including return on equity, assets and investment. Revenue was identified as the most appropriate single measure that could be used across a wide range of sectors to measure the impact Asia capabilities had on business performance. Although we acknowledge that in some sectors the alternate indicators may be more relevant, they did not allow us to perform standardised comparisons.

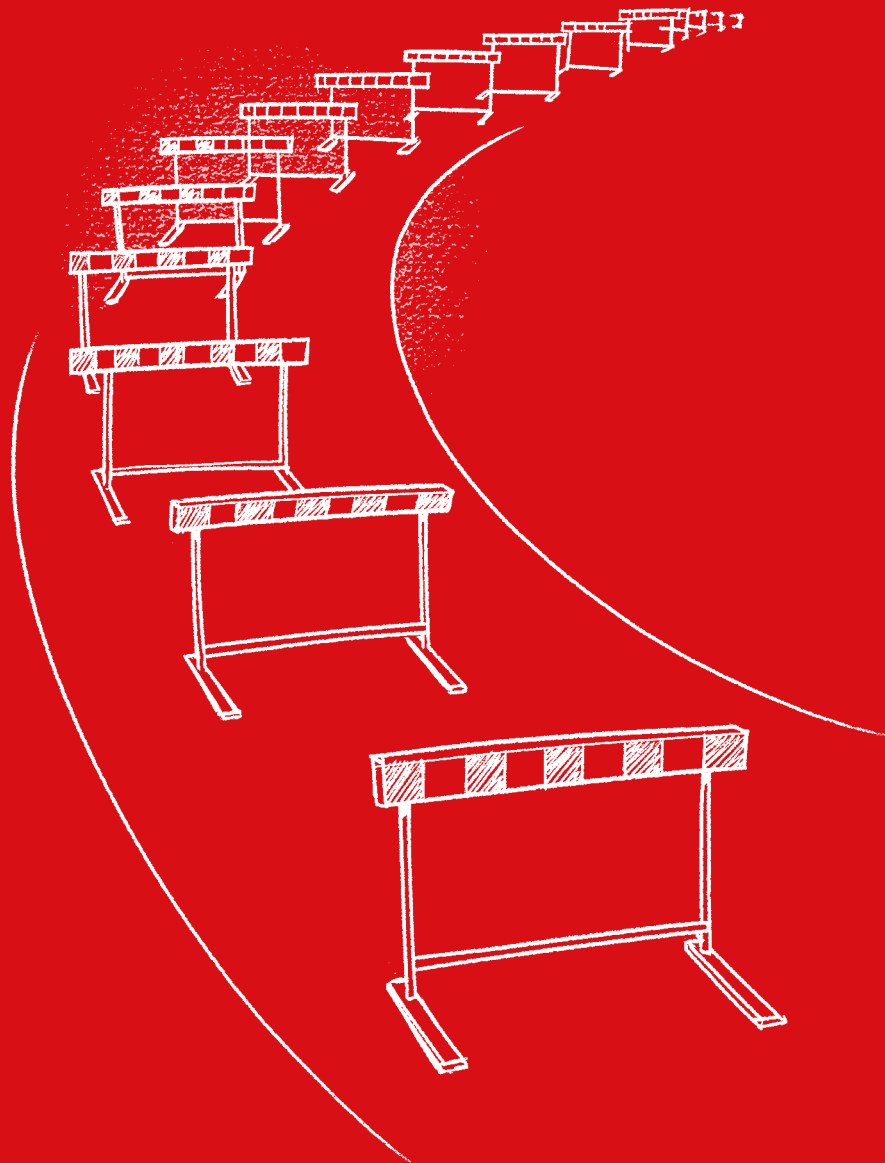
Our analysis also raised opportunities for further research including financial analysis to challenge the assumption that businesses face more capital risk in Asia than in North America or Europe; lessons from the success of American and European companies in Asia; differing attitudes among overseas pension funds towards investing in Asia; and how the corporate governance burden on Australian companies differs from that in highly sophisticated Asian markets and how this impacts Australian businesses' appetite for Asia.

Additional insights were gained through a roundtable session with non-executive directors, as well as from stakeholder consultations with directors and senior executives from both the ASX200 and smaller entities. Asia-based subject matter experts on effective decision-making at board and senior management levels were also consulted.

How our leaders perform



*Australian leaders are lacking the skills
to win in Asia*



Asia capability on the ASX 200

The level of Asia capability among the leadership of ASX 200 companies today is alarmingly low. This is unsurprising given the relatively limited investment of Australia's larger businesses in Asia.

The average Asia capability score of an ASX 200 board is only 6.42 out of possible total of 30. Senior executive teams on the ASX 200 perform even worse, with an average score of just 3.79 out of a possible 30.

Having some knowledge of Asian markets is the most commonly found capability, while Asian language proficiency is the rarest. Some 67 per cent of ASX 200 board members show no evidence of extensive experience operating in Asia, while 55 per cent demonstrate little to no knowledge of Asian markets.

Additionally, the evidence indicates that senior executives have lower levels of Asia capability than their board counterparts across each of the six capabilities.

On average, directors are 72 per cent more Asia capable than their senior executive counterparts. This suggests recruitment at the senior executive level is focusing more on functional skills rather than more strategic capabilities.

However, the capabilities of the senior executive group should reflect both the organisation's current and future plans, as they are executing the policy of the board.

"Asia capabilities are most critical at the C-suite level. The CEO, CFO and other senior leaders need to have the right attitude to Asian opportunities in order to recommend them as a growth strategy. Once this is established, the board plays a role in deciding on the level of investment."

Director, stakeholder consultation

In understanding the disparity, it should be noted that ASX 200 senior executives are not always the primary talent pool from which directors are recruited. A number of directors may be recruited following careers at top consulting and legal firms, or from other non-listed businesses.

"When a company has an Asia [focused] strategy, it needs to build up its skill base at the executive level first, before a major strategic decision is made. Once an investment has been made, and assuming it is a major part of the company's strategy, yes, an Asia-experienced director is very valuable, particularly that rare director who has experience across several countries and can provide insight into potential regulatory/political changes and cultural nuances."

Non-executive Director, stakeholder consultation

Asia capability



Stakeholders consulted varied in their opinion as to whether it was more important for senior executives or board members to be Asia capable. The range of opinions and observations confirms that where the responsibility to set, assess and execute a strategy sits can vary by company.

It is generally accepted that senior executives have operational responsibility for implementing or executing any strategy. As a result, some Asia capabilities are especially critical for senior executives who play a role on the ground in Asia-relevant transactions. These include the ability to adapt to Asian cultural contexts, the capacity to deal with governments, and a level of Asian language proficiency.

The right mindset is critical to success in Asia

All stakeholders and subject matter experts consulted agreed that all six individual Asia capabilities are important in some way to effectively engage with Asia. However, almost all agreed that the right mindset is the most important capability. This would entail a willingness and flexibility to:

- adapt to the local culture
- respect local business practices and etiquette
- build long-term personal relationships
- discard cultural bias.

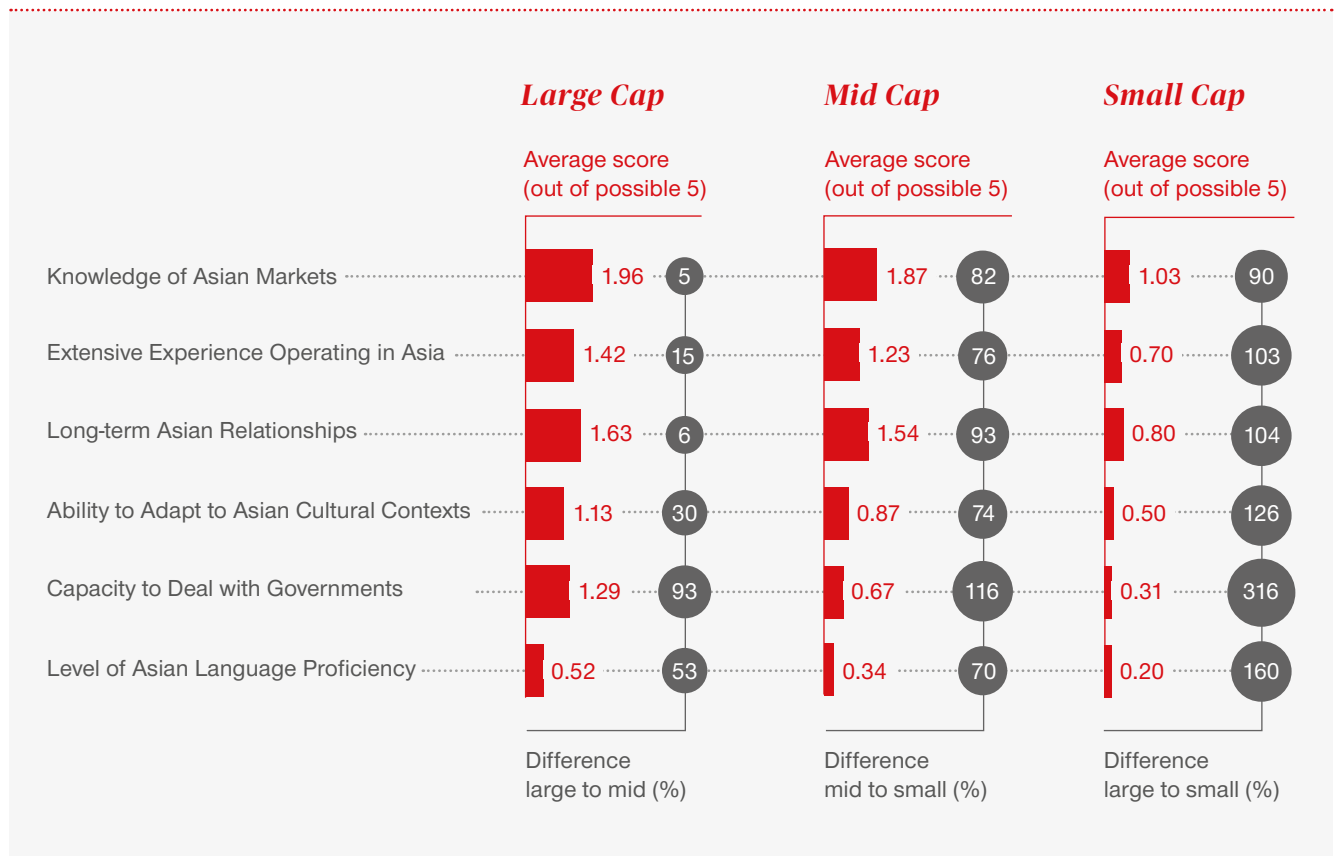
Asia capabilities by market capitalisation

When segmenting Asia capability at the board level according to business size, directors on large cap companies are two to three times more Asia capable than their smaller cap counterparts across all of the capabilities. The greatest disparity between large and small cap businesses is in the capacity to deal with governments, as larger companies are more likely to require engagement with governments, particularly if they are involved in significant investments in the region. Large and mid cap firms have closely aligned Asia capabilities, particularly on their knowledge of Asian

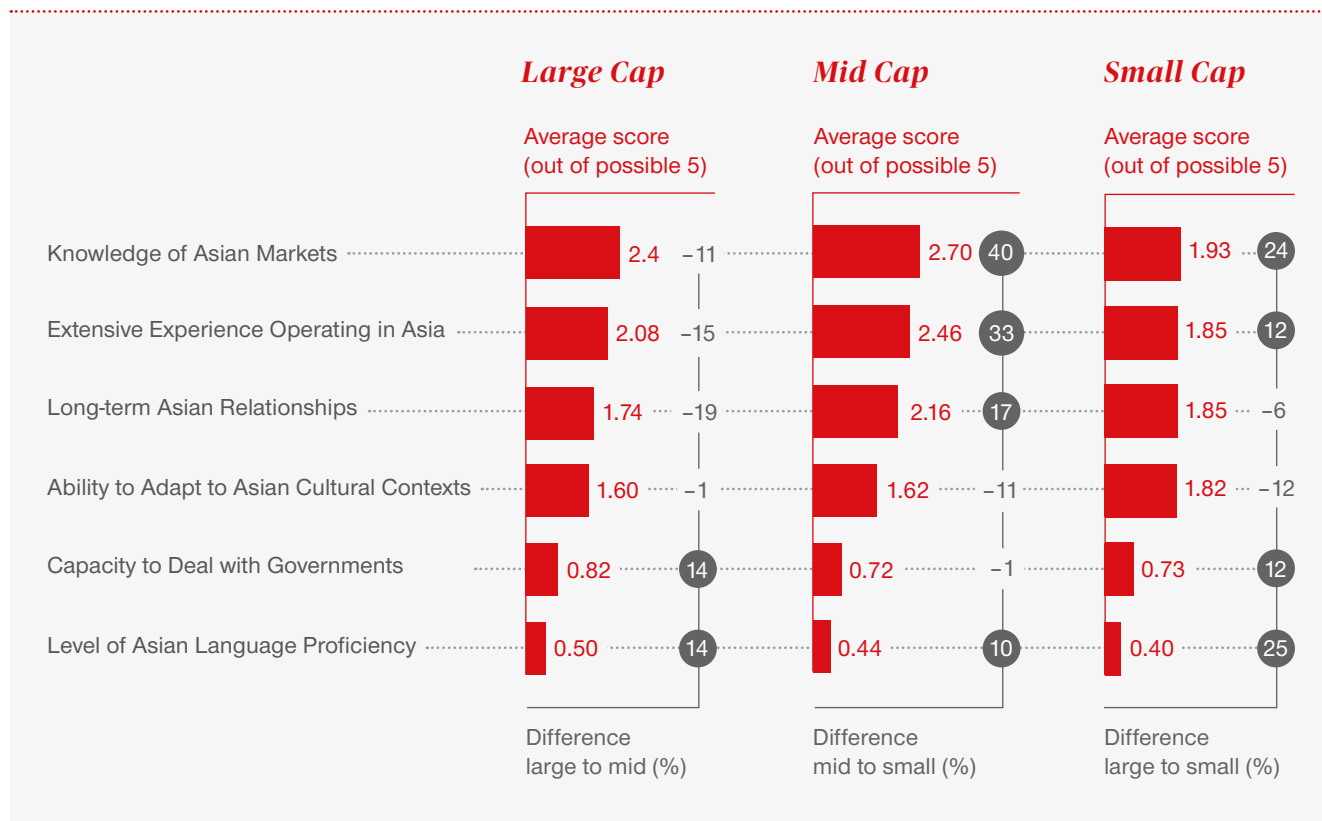
markets, experience operating in the region and long-term relationships in Asia.

Interestingly, mid cap senior executives show relatively high levels of Asia capability compared to their large cap counterparts, with the exception of two capabilities: the capacity to deal with governments and language proficiency. Small cap businesses are also more capable than their larger counterparts in their ability to adapt to Asian cultural contexts and their long-term Asian relationships.

Asia Capability by Market Capitalisation – Boards



Asia Capability by Market Capitalisation – Senior Executives



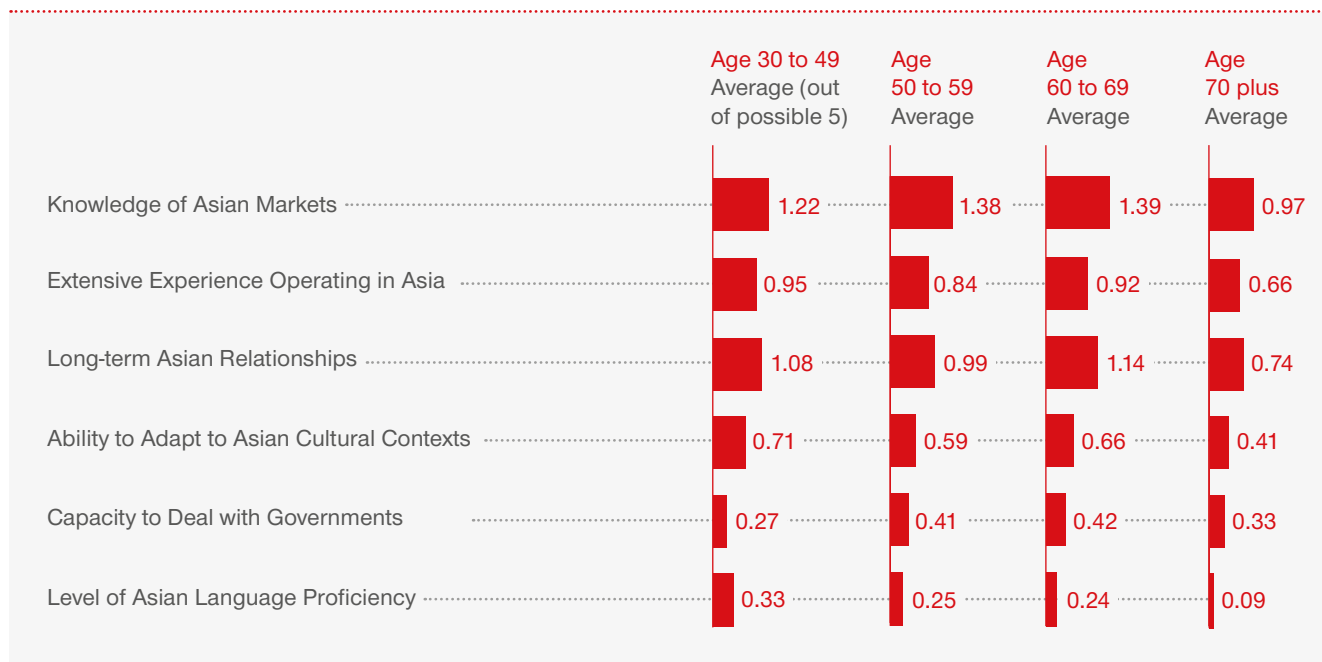
Asia capabilities by leaders' age

Asia capabilities overall are not dramatically impacted by age. The oldest age group of directors (70 and above) scores lowest in all Asia capabilities, apart from the capacity to deal with governments, where it had the second lowest scores on average. The youngest age group of directors (30-49 years) had the highest average score for the ability to adapt to cultural contexts, reflecting that younger decision-makers are more likely to be open to alternate perspectives.

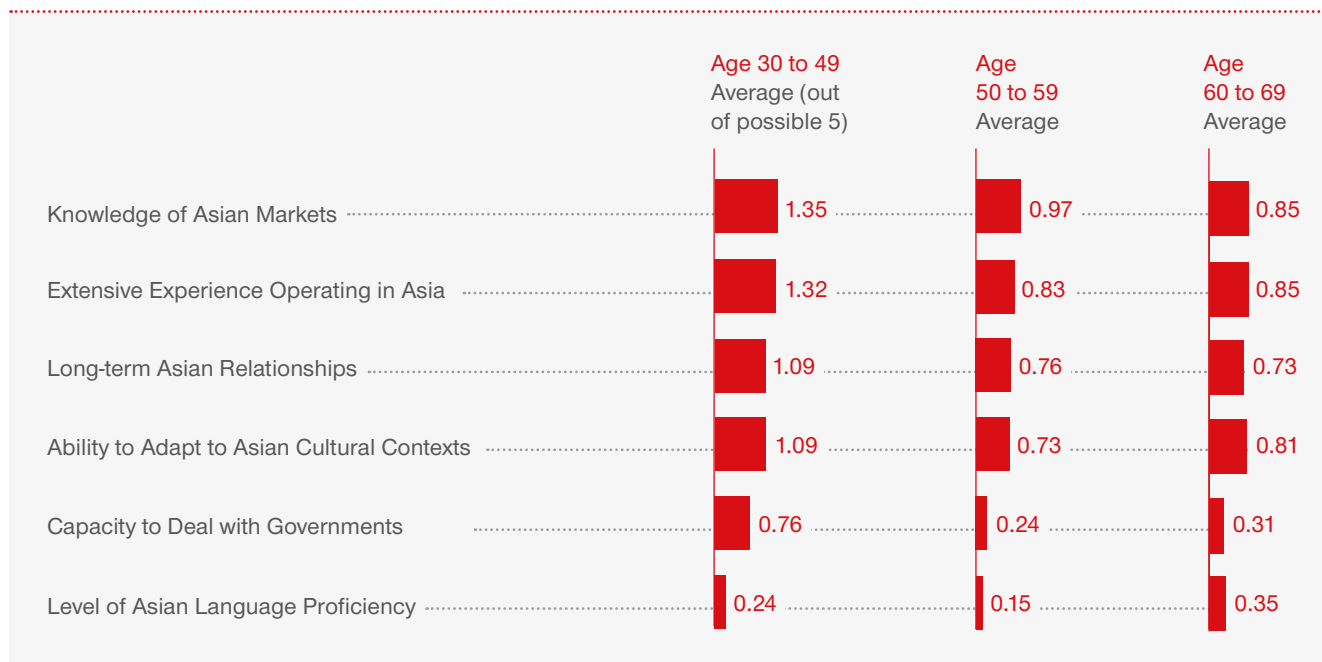
Senior executives have stronger levels of Asia capability when compared with their board counterparts in the 30-49 bracket. However, in the 50 years plus categories, the level of Asia capability shifts in favour of directors over senior executives.

Asian language proficiency and capacity to deal with governments are the least common capabilities across any age range for both boards and senior executives.

Asia Capability by Age – Boards



Asia Capability by Age – Senior Executives



Asia capabilities by gender

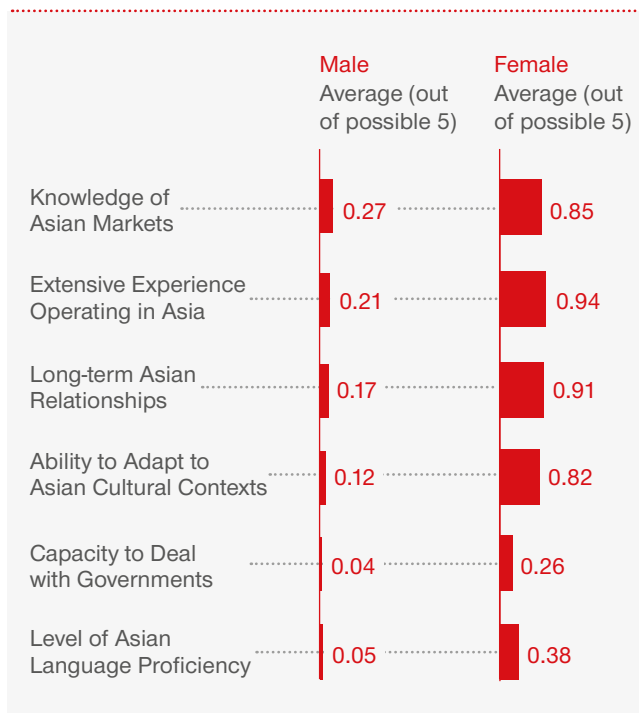
Senior executive females are more Asia capable than males, while the trend is reversed on boards, where males dominate in terms of capabilities. Female senior executives outperform male executives by between four and eight times across all six capabilities. However, their biggest strengths are in knowledge of Asian markets, extensive experience in the region, long-term regional relationships and ability to adapt to Asian cultural contexts.

Comparatively, the Asia capability gap between genders is relatively small on boards. It is worth noting that of all the board members and senior executives evaluated as part of this research, just under a quarter were women.

Asia Capability by Gender - Boards



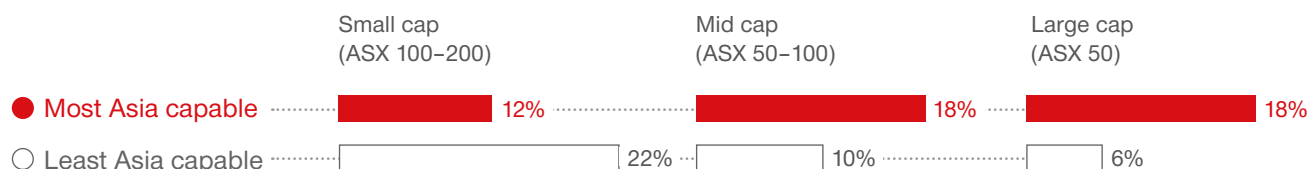
Asia Capability by Gender - Senior Executives



The top and bottom 30

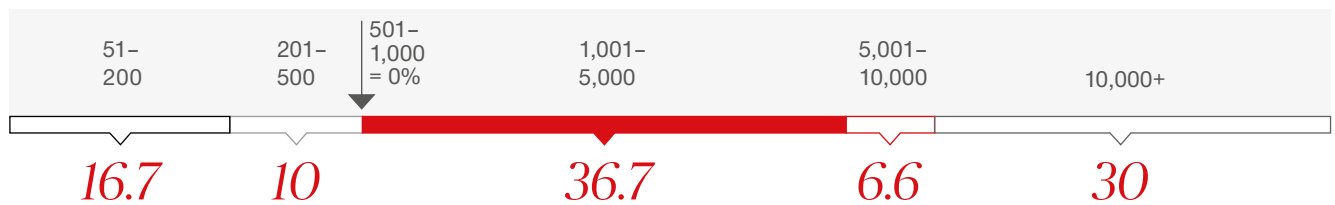
Our analysis further examined the 30 most and least Asia capable companies on the ASX to compare and examine trends at both ends of the Asia capable spectrum. Twelve per cent of the small cap companies in the ASX 200 ranked in the top 30 for Asia capability, and 18 per cent each of both the mid and large cap

companies. However, in terms of the least Asia capable companies, large cap companies were the least likely to rank poorly. Small and mid cap companies, on the other hand, are somewhat less likely to be Asia capable than large ones.



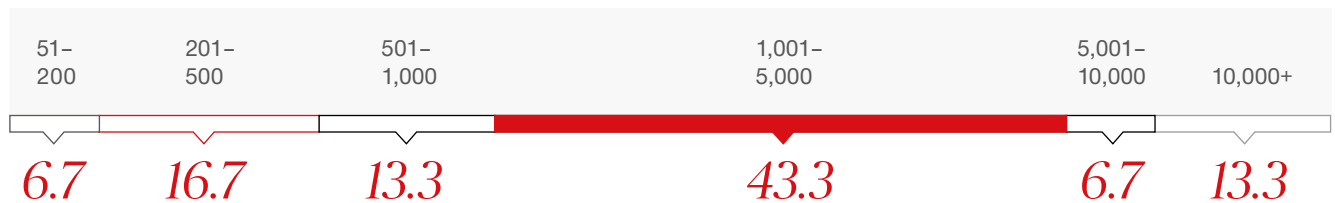
A deeper comparison of the large cap companies in the top and bottom 30 Asia capable companies reveals that most Asia capable large cap companies are in the financial services sector. Only one large cap financial services company was in the bottom 30 Asia capable companies. These and other sector trends are further explored in the next section.

Most Asia capable companies



Number of employees (per cent of ASX 200 companies)

Least Asia capable companies



Number of employees (per cent of ASX 200 companies)

Of the top 30 Asia capable companies, 73 per cent have at least 1000 employees. Of these, more than 40 per cent have over 10,000 employees. However, 63 per cent of the companies with the least Asia capable leadership also have more than 1000 employees. This could be because companies with a large number of employees are more likely to be mature businesses experiencing inertia in terms of understanding the role of Asian markets in creating growth and in turn, developing or hiring Asia capable leaders who can harness these opportunities.

It is no surprise that the most Asia capable companies tend to be more engaged with Asia. The most common form of engagement was having subsidiaries in China, with joint ventures and equity investments across the region also common among the top 30 most Asia capable companies. Some of these companies also scored highly on Asia capability as they were

part-owned by Asian companies and in some cases had a representative from the Asian investor on their board. More than a quarter of the top 30 Asia capable companies had no evidence of direct equity or capital investment in or from Asia, yet still appeared to have highly Asia capable leaders. Most of these companies do, however, trade with Asia or have clients, suppliers or customers who do. Additionally, this could be attributed to these organisations' recognition of the need to better understand their customer profile in Australia, which increasingly includes large Asian diasporas. Broad international experience is also an indicator of a leader's ability to deal with complex business issues and some Asia capable leaders may have been hired for their overall experience, rather than to specifically drive an Asia strategy. Leaders with international experience are also sometimes sought to create more diverse thinking in a company.

COCA-COLA AMATIL

Alison Watkins – Group Managing Director



Asia capabilities are an important focus of Coca-Cola Amatil's board skills matrix

It's clear the Coca-Cola Amatil (Amatil) board strongly values Asia expertise and experience. As a major bottler in South East Asia through its operations in Indonesia, most of its workforce is located in Asia, as are most of the customer outlets it supplies.

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At the time of writing, five out of the eight members (63 per cent) of Amatil's board have substantial first-hand experience in Asian markets and can be objectively described as highly Asia capable leaders. Many of them have had exposure to Asian markets through their roles on other boards and in previous executive roles.
.....

In addition, Amatil has leveraged its international network through its shareholders and brand partner, The Coca-Cola Company, further to boost the level of Asia capabilities on its Board. Two of the seats of Amatil's Board are occupied by representatives of the international Coca-Cola system. Amatil benefits from having these seats filled by experienced operators from Coca-Cola subsidiaries in the Asian region.

Amatil is clear about the role Asia capable directors play in the Board's decision-making process. It asserts that having Asia capable directors with experiences and an understanding of the region's culture, policy making or change process, and government priorities helps the organisation's decision-making process, investment decisions, people development and subsequent outcomes.

This is particularly important as Amatil, in partnership with The Coca-Cola Company, progresses a substantial investment program in Indonesia, and the development of an Indonesia-focused product range and targeted beverage markets.

Alison Watkins, Group Managing Director, explains: "The board's Asia capabilities have influenced the development of our Indonesia-based Coca-Cola Amatil Indonesia (CCAI) management team, which is considered one of the major growth businesses for the Coca-Cola Amatil Group.

.....
"We do place significant weight on the expertise of our Asia capable directors in contributing to matters directly related to our own Asian operations and potential growth markets."
.....

Ms Watkins also cites the example of the prominent role played by Krishnakumar Thirumalai, a Non-executive Director of Amatil and Chairman of Hindustan Coca-Cola Beverages in India, in guiding the Board to pursue a trial of SPC Perfect Fruit in the sub-continent. Board consideration for this trial drew heavily on Mr Thirumalai's expertise in Asian markets and understanding of likely consumer and customer demand.

Amatil's approach to recruiting Asia capable leaders is highly strategic and one of the focus areas of its board skills matrix. This approach has allowed the Nominations Committee to actively pursue the attributes they see as critical to the significant success the company has had in Asia. Of the six Asia capabilities, Amatil has identified direct knowledge of Asian markets, experience operating in Asia and the ability to adapt to Asian cultural contexts as the skills that have had the most impact on their Asian growth story.

The presence of directors with significant Asia capabilities on the board has allowed other members with less direct experience to build their understanding of Amatil's key markets in Asia. Additionally, all directors commit to one board meeting annually in Indonesia, which allows them to meet local partners, staff and customers and build a deeper understanding of different aspects of the Indonesian business and the environment in which it operates.

"We value all opinions and perspectives in the boardroom. While Asia-capability is desirable, especially as it relates to our operations in Indonesia, our decision-making process on general issues is guided by the contributions of all directors. Diversity is important in all its guises. We have a diverse board in skills, knowledge and experience, and we are always learning from each other," says Ms Watkins.

Amatil has shown long-term commitment to the development of Asia capabilities across the Australian workforce, particularly for future leaders. It supports government initiatives such as the New Colombo Plan, which gives young Australians placements in Asian universities and workplaces to help them build local knowledge and business skills. Amatil also offers opportunities in Indonesia to high performers in the company's other businesses, as well as enabling some Indonesian staff to live and work in Australia, facilitating a two-way transfer of knowledge, skills and Asia capabilities.

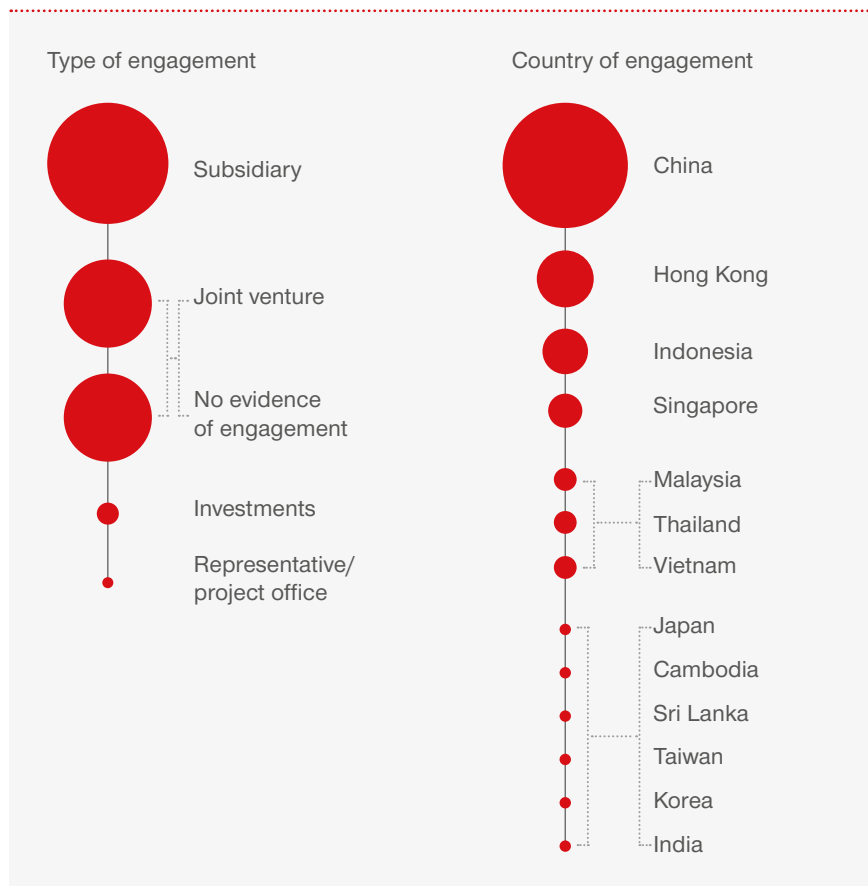
As to how policymakers can support the development of Asia capable leaders across Australian business, Ms Watkins identifies the need for a holistic response from government and industry, including finding more Asia capable teachers for schools and universities to develop the skills of the future workforce.

But she adds that ultimately the responsibility lies with businesses to ensure they have the right skills and talent to pursue long-term growth in Asia.

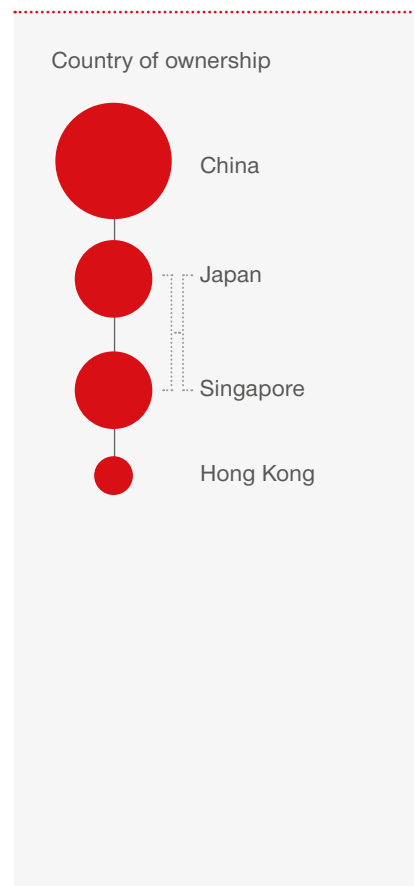
"Policymakers need to make it easier for business to do business in Asia. However, at least for major company boards, I would not have thought that regulators are needed to encourage the common-sense approach of having Asia capable directors on the board where a company has ambitions of investment in Asia."

Top Asia capable companies

Outbound engagement with Asia (relative size)



Part-ownership by Asian entities (relative size)

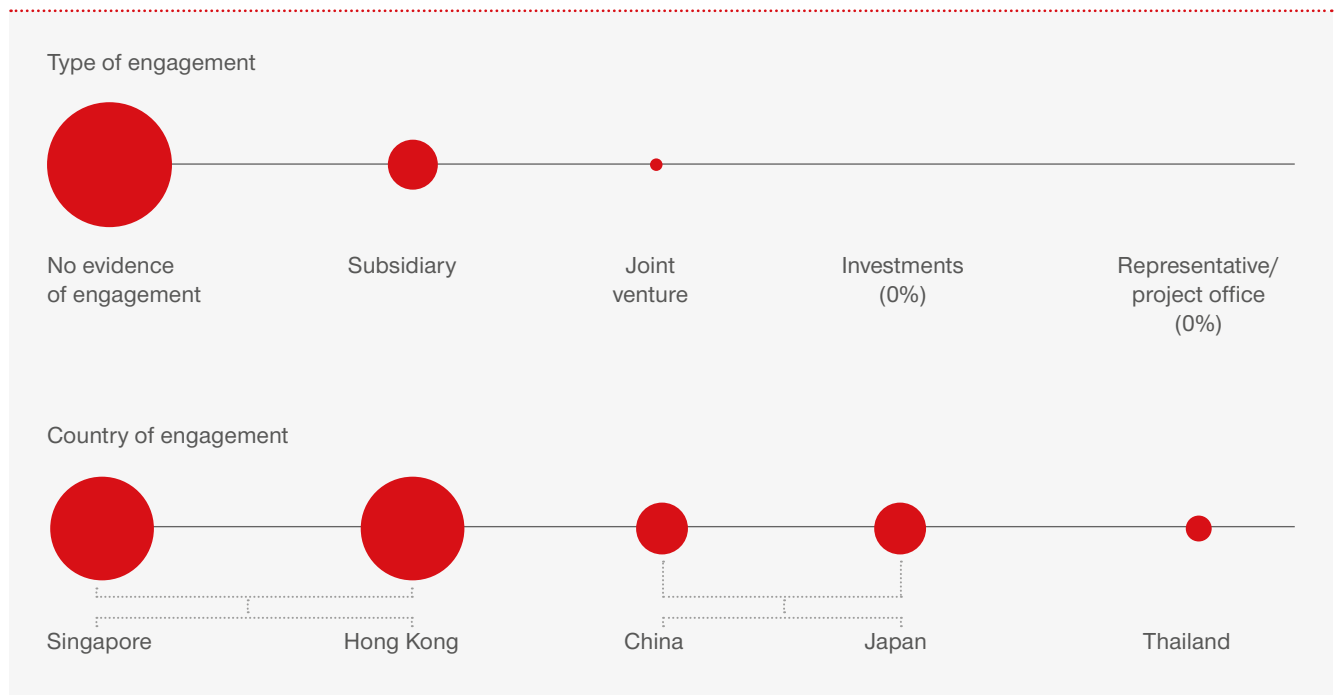


As would be expected, the least Asia capable companies have little or no engagement with Asia. Any engagement that does occur tends to be with Singapore and Hong Kong, which are both consistently ranked in the top three locations worldwide on the World Bank's Ease of Doing Business Index. As a result, Australian businesses may not appreciate the importance of Asia capability when operating in these markets.

Given that Singapore is often at the centre of a hub and spoke environment with surrounding markets such as Indonesia, Malaysia and Thailand, and Hong Kong's role as a gateway market to Greater China, Australian businesses need to reconsider their commitment to ensuring leadership has the necessary capabilities to interface with these markets – or risk missing out on significant opportunities.

Least Asia capable companies

Outbound engagement with Asia (relative size)



Sector trends

Of the top 30 companies, ranked by the average level of Asia capability of board members and senior executives, 20 per cent were in the energy, resources and mining sector or the financial services sector.

The prominence of the energy, resources and mining sector is understandable. Australia's mining boom rode a wave of high demand for iron ore and other minerals and rare earths in Asia, underpinning rapid infrastructure growth in the region. It appears that Australian resources companies realised that as their customers, suppliers and other key components of their operational value chain were now largely based in the Asian region, a high level of Asia capability would be required to deal more effectively with them.

A number of the best-performing resources companies (on an Asia capability scale) also had either large investments or assets in Asia or were part-owned by an Asia-based company.

It is likely that the significant opportunities associated with Asian investment necessitated the recruitment of Asia capable leaders. However, the converse may also be true – that the presence of more Asia capable leaders has resulted in a more Asia-focused strategy. Either way, it's clear that Australian businesses in the energy, resources and mining sector recognise that their growth opportunities sit predominantly in Asia and that Asia capabilities are critical to effectively realising these.

Most Asia capable companies – sector trends



Least Asia capable companies – sector trends



Further research into sector trends focused on the two sectors where companies tend to sit at extreme ends of the Asia capability scale – energy, resources and mining, and real estate.

Energy, resources and mining

Companies in the resources sector that were highly Asia capable consistently reported a relatively high proportion of revenue from Asia and a significant volume of exports to Asia. As expected, these companies were trading minerals and metals that we know to be in high demand in a number of Asian markets, including lithium and alumina. The high performers in this sector also had assets (mines) or other ancillary operations in one or more Asian markets. In some cases, they also had a significant level of Asian investment, although only one of these companies' Asia capability scores was aided by the presence of a director that represented the Asian investor. The company with the lowest Asia capability score had assets in Africa and despite their focus on gold, did not report any Asian revenue.

Non-listed companies

A number of directors and subject matter experts consulted for this research identified shareholder aversion to the perceived risk in Asia as one deterrent to companies looking to Asia for growth. It has been suggested that private firms are more able than listed companies to take a long-term view of their growth strategy, and to engage more freely with Asia, as they are not as susceptible to scrutiny from a diverse group of shareholders, investors and analysts.

“There are a lot of companies, particularly in the SME space, who are more Asia-focused because they have had to grow their markets or products. You will find a lot more JVs in the non-listed space, and they are also less subject to analysts' views. Universities and law firms are great examples.”

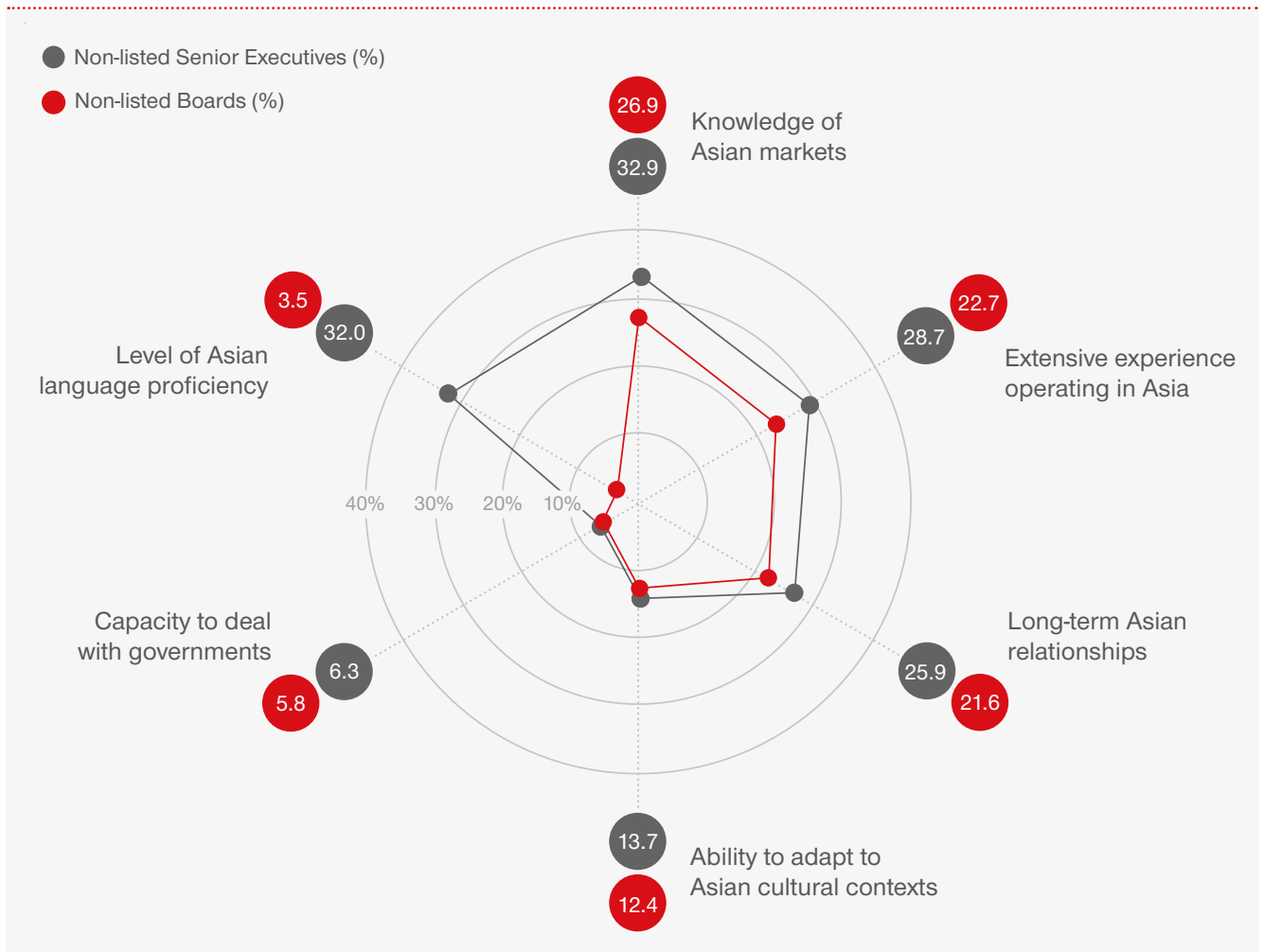
Non-executive director, roundtable participant

Real estate

The opposite trend was seen in the real estate sector. The one highly Asia capable company in this sector was heavily invested in Asia and performed successfully in its Asian markets. The majority of ASX 200 companies in this sector are real estate investment trusts with a domestic focus and few assets in the Asian region. Their key stakeholders also tend to be largely Australian. One explanation for this could be the sensitivity around foreign ownership of property assets in Australia. However, as argued earlier in this report, foreign investment will be increasingly necessary to provide growth opportunities across many sectors in Australia. Asia capable leaders will be critical to ensuring that Australian companies in this sector are able to secure deals that provide sustainable long-term returns.

Interestingly, senior executives from non-listed companies were found to have a significantly higher level of Asia capability than their counterparts from listed companies. One explanation is that this reflects the greater emphasis these companies place on pursuing growth in Asia and therefore the higher value they place on an Asia capable skillset. Non-listed board directors, however, showed the reverse, with a lower level of Asia capability than their listed company counterparts.

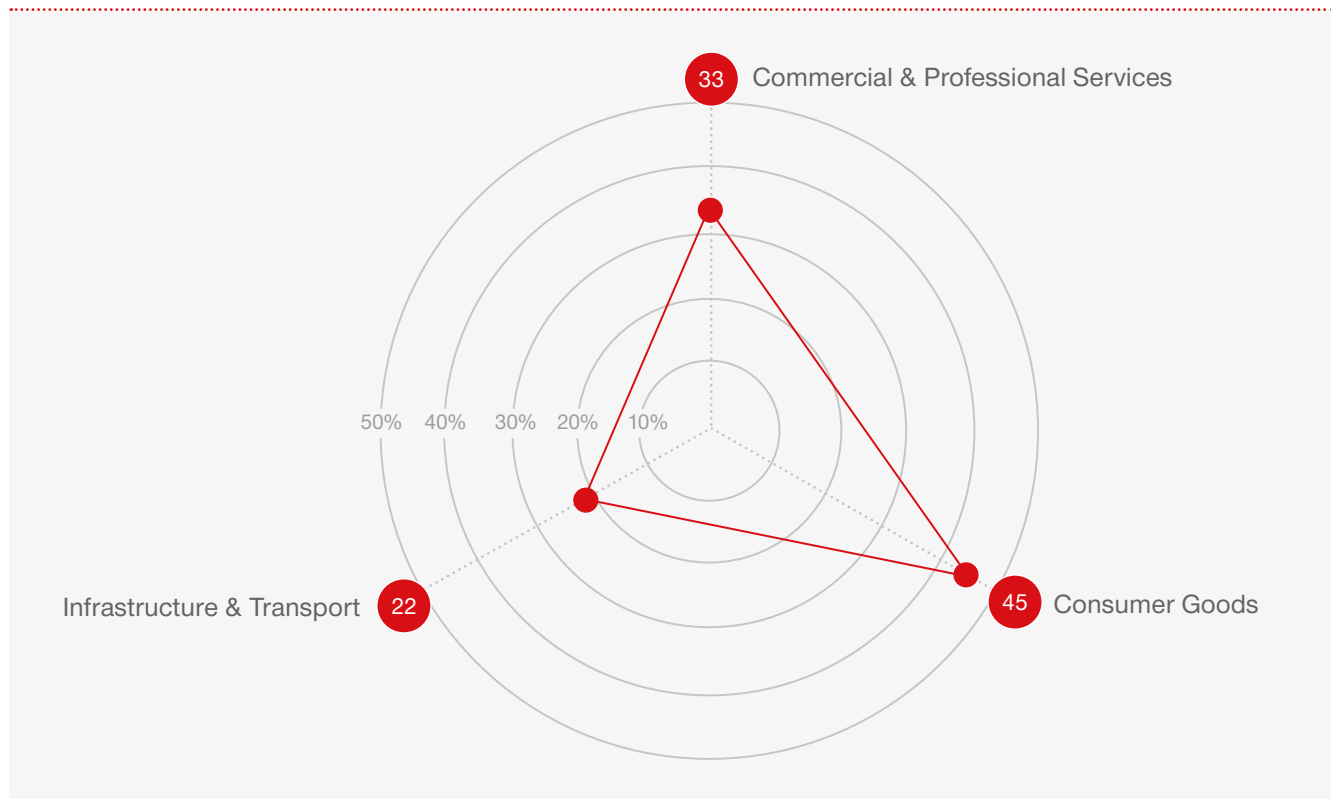
Asia capability



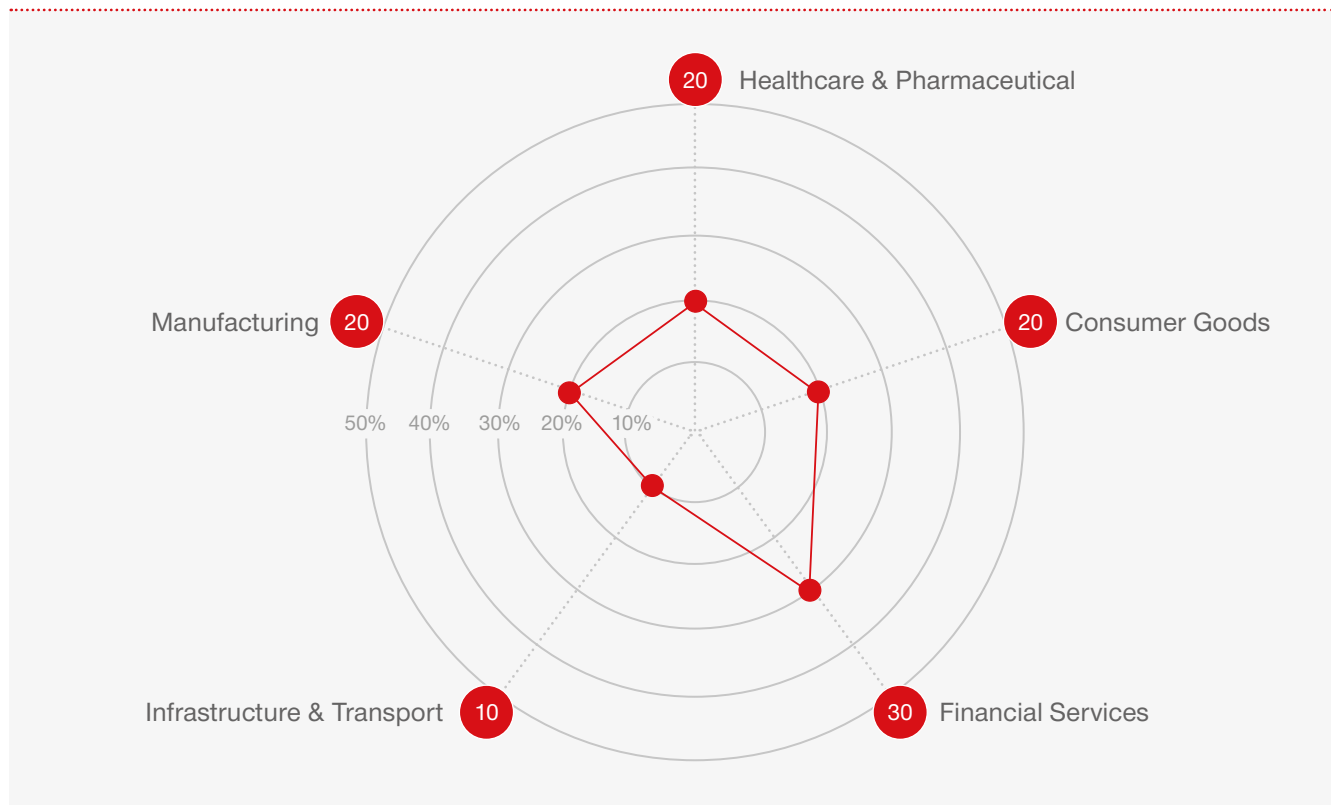
In response to these results, non-executive directors consulted at our roundtables raised a number of possible explanations that supported the assertion that private companies have greater flexibility to consider long-term strategies without shareholder pressure for short-term returns. Many of these explanations stemmed from an understanding that while listed boards are required to dedicate their focus to conformance, private company directors are better able to focus on performance given the lower compliance burdens they face.

Areas in which private companies benefit from a reduced compliance burden include board tenures. Directors of private companies, including family members who sit on the boards of majority family-owned businesses, benefit from longer tenures and are therefore more able to focus on long-term outcomes.

Most Asia capable non-listed companies – sector trends



Least Asia capable non-listed companies – sector trends



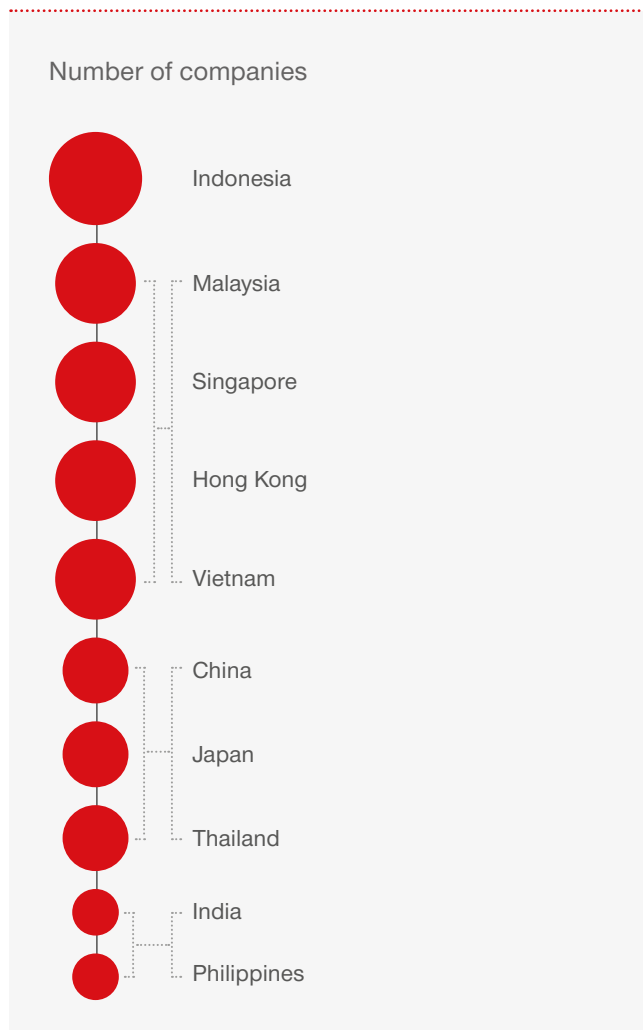
Overall, the non-listed consumer goods sample evaluated for this report appear to be more Asia capable than their listed counterparts. Non-listed commercial and professional services firms also performed well, with this category dominated by three of the 'Big Four' professional services firms – all of which demonstrated above-average levels of Asia capability. This is a positive sign, given the increasing role the services industry plays in boosting GDP and jobs growth in Australia. Our 2015 modelling showed that Australia's annual services exports to Asia would grow from \$69 billion in 2013 to \$163 billion by 2030.

Additionally, these services exports to Asia would support over one million jobs by 2030, more than all other exports combined.⁸ However, as Australian businesses build their services offering in Asia, so will exporters from the rest of the world. Strengthening Asia capabilities within the services industry will provide a much-needed competitive advantage for Australian services in the region.

The non-listed financial services firms that were less Asia capable were similar in profile to the less Asia capable listed firms in this sector, generally mid-sized insurance companies focused on the domestic market.

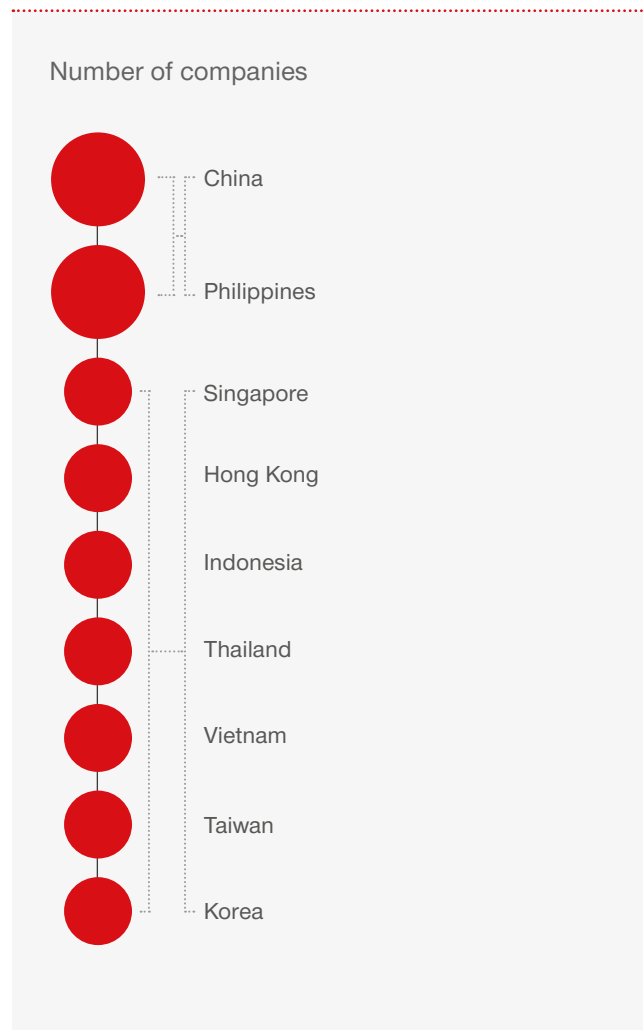
Most Asia capable

Outbound engagement with Asia (relative size)



Least Asia capable

Outbound engagement with Asia (relative size)



HUON AQUACULTURE

Frances Bender – Co-Founder and Executive Director

Huon Aquaculture builds its senior team’s Asia capabilities by ensuring they visit key export markets frequently

The founders of Huon Aquaculture strongly believe that major future growth of their business will be driven by new markets in Asia.

Frances Bender, co-founder and executive director, explains: “Having access to Asian customers gives us confidence that we will be able to grow our business beyond its current output. The [salmon] industry has a strong domestic market, but it is certainly prone to fluctuations. The ability to export to Asian markets gives us the security to further invest in the business, particularly as the lead time to get products to market is long, at three years.”

Although Huon is a listed company, it is still majority family-owned by Frances and her husband Peter, the CEO. This husband and wife team that started Huon more than 30 years ago has led the charge on the firm’s exports to Japan since 2007.

Ms Bender cites knowledge of the market, including the operating environment, logistical challenges, financial regulations and payment terms, as well as a deep and current understanding of consumer preferences and behaviours, as the Asia capabilities that impact their business the most. For Huon, staff with Japanese language capabilities have also been a major asset in helping to communicate effectively with key stakeholders.

As the business grows, Ms Bender acknowledges that it will be important for Huon to have a stable of in-house talent with strong Asia capabilities to maximise opportunities. She says small-to-medium businesses that feel they lack the resources to hire Asia capable talent must find ways of sourcing advice or services that help to improve their overall capacity to do business in Asia.

She adds that while it’s important to recruit Asia capabilities into a business, it is also possible to build and grow these capabilities in existing employees. The Huon co-founders have done this by making frequent visits to Japan and dealing directly with their Japanese distributor. Their goal now is to ensure that these capabilities are leveraged to skill up the rest of the senior leadership team as they explore new markets in China, Indonesia and Singapore. Supply chain challenges in particular vary greatly between each market and it is critical for the team to spend time in-market to build local market-specific knowledge and relationships.

.....
“We talk about Asia as one place and it’s not,” says Ms Bender. “It’s a lot of different countries with very different cultures, so being able to understand those cultures and relate, as people, to your customers in those areas is really important. That’s something that we pride ourselves on – developing real people-to-people relationships.”
.....

Ms Bender says that initially, the team’s Asia capabilities tended to grow in an organic way. Australians with Japanese language skills were attracted to the business as it offered them a chance to work for a business directly engaged with Japanese distributors and customers. A senior member of Huon’s sales and marketing team, who now leads their export business, had spent five years living and working in Japan, albeit in an unrelated industry. “He has a strong understanding of the business culture and can easily adapt to it. Even some of his connections in-market proved to be useful to us,” Ms Bender says.

Additionally, their Japanese partner visits the farm in Tasmania regularly, operating almost as an extension of the Huon team in Japan. Ms Bender is emphatic that understanding their Japanese partner’s business is critical to their long-term success in Japan. She explains that in growing their Japanese business

through new distributors, it is critical for senior members of the customer and sales teams to have a deep understanding of the market and different consumer segments to ensure that they aren't signing deals with their existing partners' competitors.

As Huon grows its business to China, Singapore and Indonesia, the need to have staff and external advisors with the relevant capabilities to facilitate effective relationships with potential partners in each country, as they currently have in Japan, is clear. The company has plans for more senior staff to spend time in key export markets, to build their knowledge of the market and its customers, and operational challenges and considerations there, as well as build relationships with senior counterparts at local partner organisations.

.....
"While we plan for volume growth and placement in each of the export markets we are considering, we need to match the requisite growth in skills and capabilities to be able to service those markets effectively. There's no use for us in growing lots of fish if we don't have the capability amongst the people around us to be able to sell that product," she says.
.....

She argues that Asia capabilities need to exist at the senior level of any organisation interacting with Asia. "Our Deputy CEO is in Japan and has been meeting with our customers [distributors] there. That's our way of upskilling him, allowing him to establish the strong understanding and relationships that Peter and I have built up over 30 years."

Huon understands that the success of introducing new products to market, be it their traditional export market, Japan, or other markets in Asia, relies on a team that has a deep understanding of consumers in these markets, as well as other critical operational aspects of exporting. The breadth of Asia-relevant capabilities across the business will therefore need to grow to mirror the company's growth strategy.



The Asia capability effect



Investing in the right team will generate stronger returns



Asia capable leadership and business performance

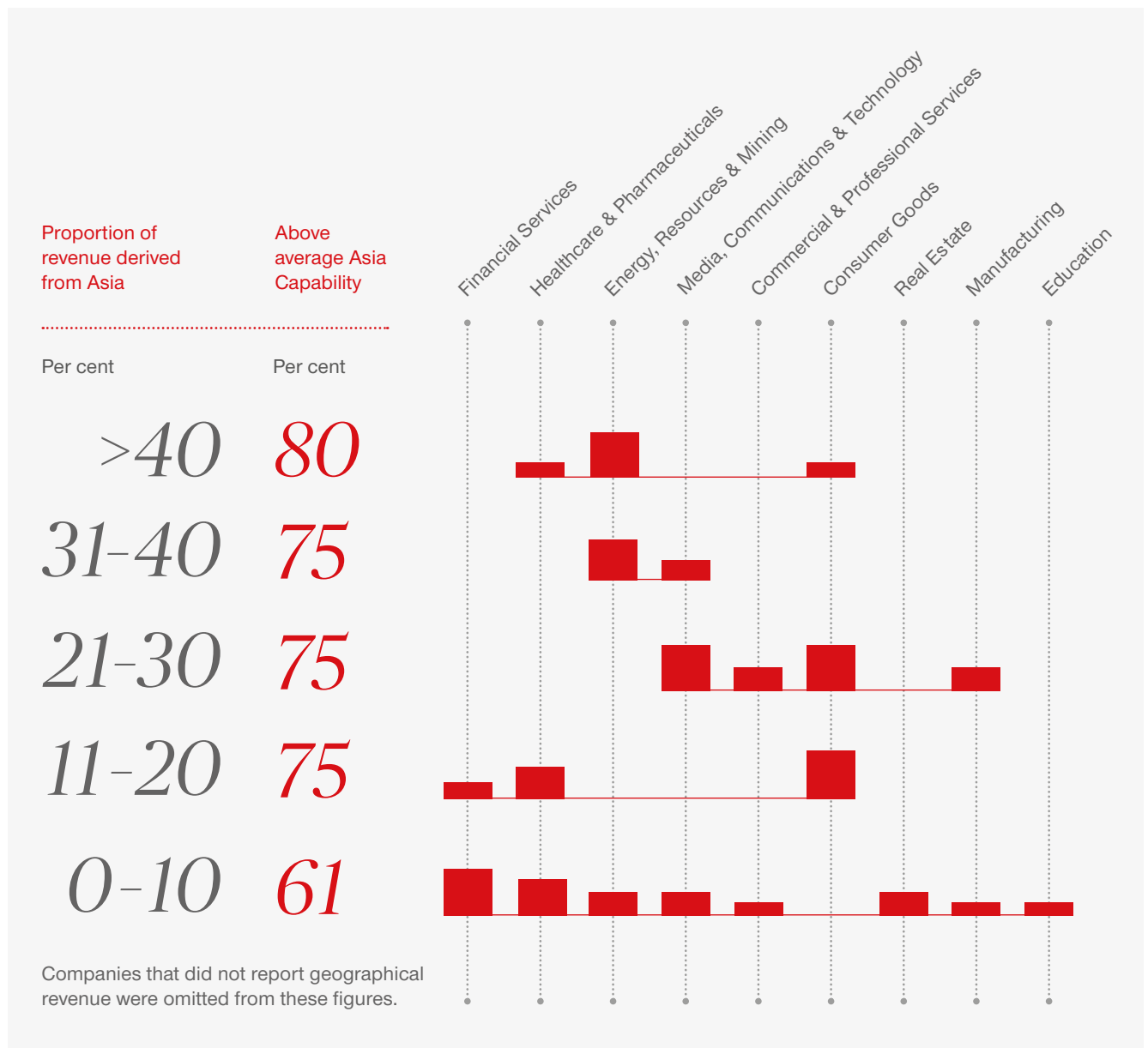
Our analysis revealed that companies with higher levels of Asia capability derived more of their revenue from Asian markets.

However, while Asia capability certainly contributes to these results, it is not the only factor.

Extensive research has been conducted globally aiming to link diversity in leadership positions to financial performance.

Much of this research is focused on gender diversity. Subject matter experts suggest that these studies may be marred by methodological flaws if they aim to establish causality.

And of course, unlike gender, Asia capability is a non-binary trait and is more akin to technical skills or experience, much like digital, legal or financial understanding.



“Asia capabilities are skills, not characteristics. They are like skills in digital or finance or law. It’s not a question of diversity but of making sure that people with the right skills and experiences are making decisions about an Asia strategy.”

Non-executive director, stakeholder consultations

It is therefore more useful to examine how and when diversity in leadership positions positively impacts financial performance. Subject matter experts agree on some well-established and evidence-based conclusions:

- Diversity, including diversity of skills and capabilities, has been shown to improve creativity and problem-solving. More importantly, it helps to avoid bias and blind spots that can promote groupthink and impair judgment.
- Intellectual, evidence or fact-based debate and disagreement are more likely to lead to better decisions. Homogeneity and emotional attachments between decision-makers tend to lead to a herd mentality in decision-making and are more likely to result in ineffective decisions.
- Less diverse groups are more likely to be cohesive, allowing consensus to be reached quickly. However, this limits the number of perspectives from which an issue will be considered.
- The conditions that accompany diversity on a board or leadership team must be managed closely to ensure they are fostering positive and appropriate outcomes.

Indeed, the presence of Asia capability alone is not enough to ensure a company’s engagement with Asia is enhanced. The positive effect of an Asia capable leader on a board or senior management team is maximised by the rest of the team or board’s response to and engagement with this person’s perspective. Board members and senior executives who engage effectively with an Asia capable counterpart will have to reconsider their biases or assumptions if they are to listen to a perspective that differs from or conflicts with their own.

“The ability to challenge your own mental shortcuts is really important. What is important is how the Board is able to engage with the diversity that is available.”

Roundtable participant

Ideally, boards and senior executive teams should suspend biases and avoid face-value judgments to better understand the underlying motivations, lenses and experiences informing their counterparts’ perspectives and conclusions before evaluating and/or dismissing them. Practising this approach fosters healthy conflict and debate and tends to lead to more innovative thinking and decision-making. Ultimately, more innovative decision-making is more likely to create competitive advantages, which in turn should lead to better firm performance and overall improved outcomes.

“[It’s about] accepting that [you] need to operate in a completely different paradigm. Don’t bring Australian mindsets and solutions and templates to a totally different environment.”

Non-executive director, roundtable participant

Growth strategies and directors’ duties

Having a long-term growth strategy is essential. With many of Australia’s larger companies operating in a highly saturated and finite market, it is challenging for organisations in many mature industry sectors to see more than three per cent annual growth.

“We are disadvantaged because the financial press and investors actually mark companies down for investing in Asia. There is a disincentive, particularly if you are a listed company, to invest in Asia because you get routinely criticised.”

Non-executive director, roundtable participant

Consultation with a representative sample of ASX 200 board members revealed that while board directors have a duty to think about long-term growth strategy, they are not obliged to report that strategy on a regular basis. However, despite the absence of a requirement to report, it is important that companies take a proactive approach and clearly articulate their long-term strategic direction in the region against key performance metrics.

Analysts and investors must be cognisant of where a company’s unique growth opportunities lie and consider how a long-term growth strategy, even if unlikely to deliver short-term returns, is a more sustainable approach.

EGON ZEHNDER

Dean Ireland, Partner

Dean Ireland, Partner at leading executive search firm Egon Zehnder, says the strongest demand for Asia capability comes from the resources sector – oil, gas and minerals, but there is also some limited demand in property and construction.

Australian companies tend to want Asian expertise on the board, rather than at executive level, but Australia's unique governance framework, compared to the US, UK or Europe, can be a barrier to recruiting talent from Asia.

Mr Ireland says: The board governance framework is different to other economies so often we're not actually that appealing to someone from Asian markets or any offshore market. Directors have to often attend 12 or more meetings that take a day each. There is a large component of corporate governance such as signing off on remuneration and risk or finance requirements. Many international business leaders would prefer to spend their precious time on strategic matters.

One way to focus international business people, including from Asia, is to create an advisory board, separate to the main company board, which allows a focus on strategy and relationship-building in Asian markets, rather than local governance.

Now-defunct Australian conglomerate Pacific-Dunlop did this with some success. "They got value out of the

people that were on that board and the people on that board got value from participating in it," says Mr Ireland, the firm's former Head of Corporate Affairs.

At the executive level, there is generally greater demand for Asia-capable talent in offshore subsidiaries than in Australian headquarters, unless the company has been involved in Asian markets for a long time.

While experience and knowledge are generally more important than what passport an individual executive holds, Mr Ireland says the days of sending Australians to Asian markets to manage business-as-usual operations are over. "Australian companies are looking to localise. This direction has been going on now for decades."

Mr Ireland, who worked in Hong Kong and Tokyo while at Pacific Dunlop, cites the importance of language skills in allowing leaders to create deeper connections in-market that pay off in business terms.

And he notes it is vital to remember that Asia is not a homogenous unit: "NAFTA has the joy of all being in the northern hemisphere. Europe has the joy of all being in the northern hemisphere. Asia, as it's defined including Australia, stretches north to south pole, India to New Zealand. It's incredibly diverse so sometimes someone's experience in one Asian market might not be relevant for another."

Boards, therefore, must maintain a pulse on investor sentiment and build this into their investor relations plan to ensure they are engaging consistently with their shareholders on their Asia strategies. This includes communicating on the alignment between their growth strategies and the capabilities of their board and senior executive teams.

"If you look at the very successful Pan-Asian companies, they look at investments across Asia with a very long time horizon. They look at the network benefit in financial services, in transport, in professional services, but we discount this. We have a short-term versus long-term perspective on strategy. Investors are only interested in the short term."

Non-executive director, roundtable participant

Company leaders feel constrained in their ability to pursue long-term growth in Asia for a number of reasons:

- **Lack of information**

A lack of clarity in trade statistics and conflicting and inaccurate anecdotal evidence clouds discussion on growth opportunities for Australian businesses in Asia. There is also abundant discussion of all the risks that engaging with Asia presents, yet very little context or data to support the widely held assumption that Asia presents greater risk than North America or Europe. Accurate and tailored scoping of market opportunities in Asia is critical to understanding the unique risks a market will pose for any particular business. This is enhanced when there are open lines of communications between business and government, including where businesses that are successfully engaged in an Asian market are able to provide active input into a government's (at the city, state and federal levels) engagement policy with that market.

- **Short-termism**

Companies report a consistent pressure from shareholders to show short-term (quarterly, half-yearly or annual) financial performance. This keeps them focused on strategies that are more likely to deliver short-term results, to enable them to extract short-term profits rather than focus equally on a roadmap for long-term investment growth. Trade and investment with Asia, however, characteristically take longer to show positive returns and are therefore not seen as viable options to appease shareholders' short-term focus.

- **Influence of investor community**

Investors tend to analyse and rate a company through a short-term lens. Consultation with a range of highly reputed board members also suggests that the Australian investor community is highly risk averse and is more likely to evaluate any overseas investment as higher risk than domestic ventures. On the other hand, the more adept companies are at communicating a clear long-term strategy in Asia, and demonstrating the necessary Asia capabilities to effectively execute this, the more likely they will be able to attract investors with longer-term views.

- **Portfolio view ignores market-specific results**

Australian companies are not required to report geographic revenue in a standardised format. In fact, of the ASX 200 companies evaluated, only 55 reported any revenue from the Asia-Pacific region. Companies tended to bundle their results in regions and only rarely specified individual market results. Consequently, stories of positive returns from high-growth markets sometimes get lost within reporting of a broader geographical region that has performed poorly.

- **Public perception**

A number of directors also observed that the media and in turn, the broader public, tended to have a negative perception of Australian investment in Asia as well as Asian investment in Australian companies. It was also suggested that negative media reactions could be fuelled by sell-side analysts, some of whom are influenced by hedge fund responses. Although export trade to Asia was reported relatively favourably, investment tended to court criticism centred on assumptions of sovereign and economic risk. Fundamentally, negative public perception sometimes leads to negative shareholder sentiment and therefore presents complex challenges for companies executing an Asia-focused investment strategy.

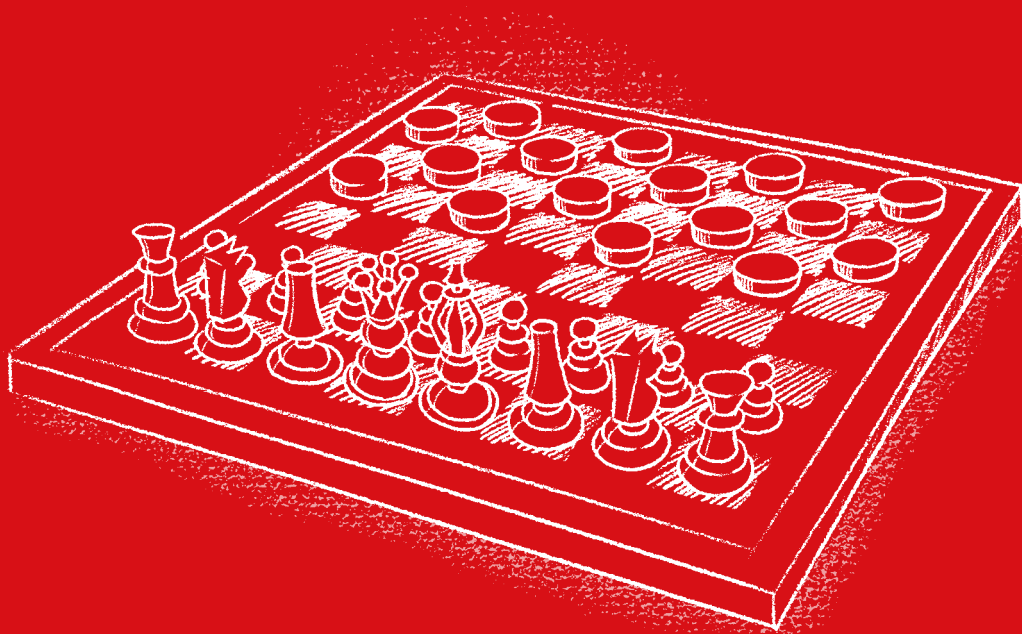
Developing community-wide understanding of our interdependence with Asia

Stakeholders consulted spoke of the need for widespread awareness-building to promote greater recognition of how opportunities in Asia will increasingly underpin growth and economic prosperity in Australia. Sovereign and economic risk are highly complex issues which, compounded by an overwhelming lack of cultural understanding among many Australians, can sometimes lead to unfounded and disproportionately negative responses to Asian investment, both inbound and outbound. Deeper cultural understanding of Asian markets and their interdependence with Australia can help to promote a more objective evaluation of Asia-focused growth strategies.

Building Asia capable leaders



A strategic approach is essential to winning the match



Strategies to secure Australia's economic future



Shifting mindsets on growth opportunities

A first step to more effective engagement with Asia and improved Asia capability among Australian business leaders is a shift in mindset about the importance of Asia to securing Australian economic growth and prosperity. Our economy is inextricably linked with a number of markets in the region, and the domestic market is unlikely to continue delivering significant growth for many Australian businesses, particularly those in the more mature or highly competitive sectors. Both investors and Australian businesses need to look at Asia strategies more as vehicles for long-term investment growth and viability than as avenues for short-term profit extraction. A deeper level of understanding of Asian markets and their business cultures is highly relevant to all Australian businesses, including domestically focused ones seeking to serve a multicultural Australian consumer base. Similarly, through its policies, papers and public debate, the Government can reinforce the importance of the region to our economic future.

Mythbusting risk in Asia

Companies must seek to understand the risks of a market in the context of their own business, through market research, scoping opportunities and due diligence. Anecdotal evidence, assumptions and perceptions may lead to inaccurate or ineffective decisions on how to foster long-term growth in Asia, particularly as they relate to risk, returns and time. The Australian business community must engage in better, fact-based debate about the opportunities Asian markets offer. The process of qualifying market opportunities in Asia requires Asia capable expertise, either internal or external, but can also help to build Asia capability among an organisation's existing leaders. The pace at which markets in the region are changing requires an ongoing investment in these capabilities to further mitigate against risks in the region.

Long-termism

A shift in industry mindset towards pursuing long-term growth alongside or in some cases, instead of, short-term returns is long overdue. Asia may offer businesses the chance to achieve double-digit growth but these returns are characteristically seen in the medium to long term, and are directly impacted by the level of Asia capability a business can build through its talent and strategy. Indeed, boards have always faced questions from investors about the relative priority of short and long term results, and rightly so. In addressing these questions, directors have to be conscious of the balance between current and future cash flows and to regularly and clearly communicate how they see the company balancing these two, sometimes conflicting, objectives. Businesses need to feel confident in conveying growth strategies that will ride longer-term growth cycles and deliver higher returns on investment over a longer period than the quarterly returns that currently motivate the industry. Business leaders, analysts and investors alike should value decision-making processes that consider longer-term outlooks. Strategies that deliver short-term returns are not always sustainable and may inhibit long-term growth.

“One of the biggest issues for ASX listed companies is the investor community... the lack of knowledge about Asia is mind-boggling. To tackle the issue, we need management capability, we need board capability, [and] we need an Asia capable investor community... We need Asia capability with our fund managers, broker community and our press.”

Non-executive director, roundtable participant

Recruiting Asia capable talent

Australian expatriates returning from Asia are a goldmine of Asia capability that often goes largely untapped. It is estimated that by 2030, 450,000 Australians will be living and working in the region, representing up to one third of Australia's total expatriate community.⁹

Australia is also home to a large Asian diaspora, many of whom are migrant or first-generation Australian, with a strong understanding of the cultures and consumer preferences of countries in the region. The largest groups are from China, India and Vietnam, markets which are expected to see between six and eight per cent GDP growth over the next few years and which offer Australian companies strong growth opportunities across multiple sectors. Companies looking to improve their Asia capable leadership talent should consider harnessing the knowledge, experience and networks of returning expatriates and Asian diasporas in Australia. Additionally, there is great potential to build Asia capabilities within a company, through knowledge and skills development of existing leaders, and recruiting and rewarding Asia-relevant experience and capabilities, commensurate with the impact these will have on future investment growth in Asia.

“There is a huge Australian diaspora across Asia who miss out when you are looking at non-executive directors within Australia because they are off everyone's radar.”

Roundtable participant

“We need to harness the talent pool to help some of these Australian companies to bridge the gap into Asian culture.”

Non-executive director, roundtable participant

“There is a strong view that the recruitment agencies should be challenging the nomination committees of the boards and the heads of HR who are recruiting senior executives, and they don't.”

Non-executive director, roundtable participant

Reporting market-specific returns

Asian markets and customers are highly diverse and unique. Equally, effective engagement with the region requires a depth of knowledge, skills and experience across a number of diverse markets. Many leaders who are seen as Asia capable are in effect highly capable in one or a handful of markets in which they've had significant operational experience or where their business has had significant engagement. Given the diversity in the region, a business is unlikely to be able to see equal growth from a range of disparate Asian markets, so should match its products and services to the markets most suited to the strengths of its enterprise. Additionally, when reporting financial results, companies need to identify market-specific results. More detailed reporting avoids a situation where positive growth in one market is overshadowed by lower or negative growth in another market. This improves transparency for shareholders and investors, and drives analyst confidence in an organisation's Asia growth strategy. This should form part of the investor relations strategy, whereby shareholders have greater transparency into how risk in the region will be managed, how success will be measured, and how the organisation has the requisite skills in place to execute their regional strategy.

Asia capable advisory boards

Companies should consider the value of engaging an Asia capable advisory board to support their strategic positioning in the region. This will allow the organisation to rapidly access the requisite knowledge to execute their Asia strategy, particularly if it is constrained in its immediate board recruitment. The advisory board can help establish connections with suppliers, investors and other key stakeholders for the organisation in the region, as well as monitor business performance and encourage new ideas.

"An interim solution to putting Asia capable leaders in at the right levels is to have an Asia capable advisory board or working group that can provide input on a company's Asian revenue growth strategy by drawing on their strong Asia capabilities."

Non-executive director, stakeholder consultation

Removing the bias against foreign income

The perceived bias in the Australian taxation system against Australian investors owning shares in companies with significant foreign businesses may be contributing to domestically focused investor sentiment. Currently, shareholders who are resident in Australia do not enjoy an offset for the company tax that the Australian company pays through its foreign subsidiaries. Increases in foreign earnings may therefore offer shareholders and investors a reduced return, compared to domestic earnings. The long-discussed reform of the dividend imputation system may remove this bias.

Business input in policymaking

Industry and government need to establish consistent and open lines of communication to ensure that businesses that are successful in a particular market are actively engaged in the development of city, state or federal policy defining engagement with that market. Businesses that have been operating in a market for some time are often able to provide added perspective to how engagement can be enhanced with a particular market and how government can help to support better business outcomes for Australian companies in those markets.

Building awareness

Several stakeholders noted that the media and general public tend to criticise both inbound and outbound Asian investment, particularly regarding the level of risk and return, and concerns about national interest. Although robust debate about our international engagement is important, it needs to be fact-based debate. It is clear that our socio-political and education systems have failed to instil sufficient cultural understanding in the broader Australian public that discourse on our investment relationship with Asia is grounded in more objective terms. The study of Asian culture and languages is equally valuable in providing Australians with a better appreciation for the Asian context and of how vital our trade and investment relationship is to securing jobs and growth in Australia.

Notes

- 1 DFAT, Australia's trade in goods and services (2015-2016)
- 2 DFAT, 'International Investment Australia 2015'
- 3 IMF Real GDP Growth Rates 2017
- 4 OECD Observer, http://oecdobserver.org/news/fullstory.php/aid/3681/An_emerging_middle_class.html
- 5 Nielsen, 'ASEAN 2015: Seeing around the corner in a new Asian landscape' (2014)
- 6 Asialink Business, 'Developing an Asia capable workforce: a national strategy' (2012)
- 7 Australia's Chinese and Indian Business Diasporas: Demographic Characteristics and Engagement in Business, Trade and Investment (2016)
- 8 Asialink Business, 'Australia's Jobs Future: The rise of Asia and the services opportunity' (2015)
- 9 PwC, 'Our diaspora's got talent: Australia's advantage in Asia' (2016)

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