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# Lack of Asia Expertise on Australian Boards: A Call for Action



Thanks to rising consumer power and an explosion in regional business growth, Asian countries are steadily gaining in strength. Asia Pacific has been the world's largest economy in terms of GDP (PPP) since 2016 and is home to more inhabitants than other regions combined.<sup>1</sup> While the COVID-19 pandemic plunged the world into a sharp recession, Asia is expected to contract by 2.2 percent in 2020, compared with a 4.4 percent contraction globally, and return to 6.9 percent growth in 2021. This complex region is on track to drive 40 percent of the world's consumption<sup>2</sup>, and its companies now dominate the global Fortune 500.<sup>3</sup> China and India are predictably leading this growth, but smaller countries throughout Southeast Asia are making significant progress as well.

These trends mean that every organisation with a global footprint needs an Asia strategy in order to remain relevant. A robust Asia strategy should include internal capabilities to partner with, sell to, and buy from businesses across Asia. It also means ensuring the board has the right expertise to guide and oversee the strategy. Directors with a deep understanding of Asia can provide insights into the company's customers or clients, and also suppliers, giving confidence that otherwise unforeseen challenges and risks have been identified and considered.

To build this Asia capability, it is essential that boards appoint directors who have relevant and contemporary experience. They are ideally of Asian descent, have lived and worked in Asia, speak relevant languages and understand cultural nuances, and of course have current strong ties to relevant Asian markets. Only these directors will have a sufficiently deep understanding of the complex cultural nuances, along with the rapid technological advancement and geopolitical tensions that have emerged in recent years. To win in Asia in the future, the traditional approach of appointing Westerners who have worked in Asia in the past will no longer be adequate, as their knowledge of the Asian market quickly becomes outdated.

Organisations based in Australia and New Zealand are particularly intertwined with those in Asia, given each countries' geographic proximity and long trading history. As an example, more than 80 percent of Australia's exports go to Asian countries<sup>4</sup>, and Asian-Australians make up more than 12 percent of Australia's population today.<sup>5</sup> It is expected that this interconnectedness with Asia will only increase in the future as trade, tourism, cross-cultural education and political relationships grow, regardless of current tensions that may exist.

Currently, however, ASX100 boards do not adequately reflect the international markets in which they operate, and are exposed either from a consumer or supply perspective. Only 18 ASX100 board directors (3 percent) are of Asian descent and have lived and worked in Asia for a reasonable enough period to have a level of material understanding.<sup>6</sup> More than half (58 percent) of those Asian board directors have Chinese heritage, and a third (32 percent) come from Singapore or Malaysia. Almost none come from other major markets in Asia, such as India or Japan.

Among Asian ASX 100 directors, women are underrepresented, accounting for just 21 percent of this group. There is also little diversity of sector or geographic focus. Of the 11 ASX100 companies that have Asian directors on their boards, the majority—eight—are in the industrial and natural resources sector, while the balance has a consumer base largely located in China. Notably, Asian ASX board members tend to be on slightly more boards than average, suggesting organisations are leaning heavily on a small group of Asian experts rather than looking broadly at rising Asian board talent.



1. IMF - World Economic Outlook, Oct 2020

2. McKinsey Global Institute (2019) "Asia's future is now"

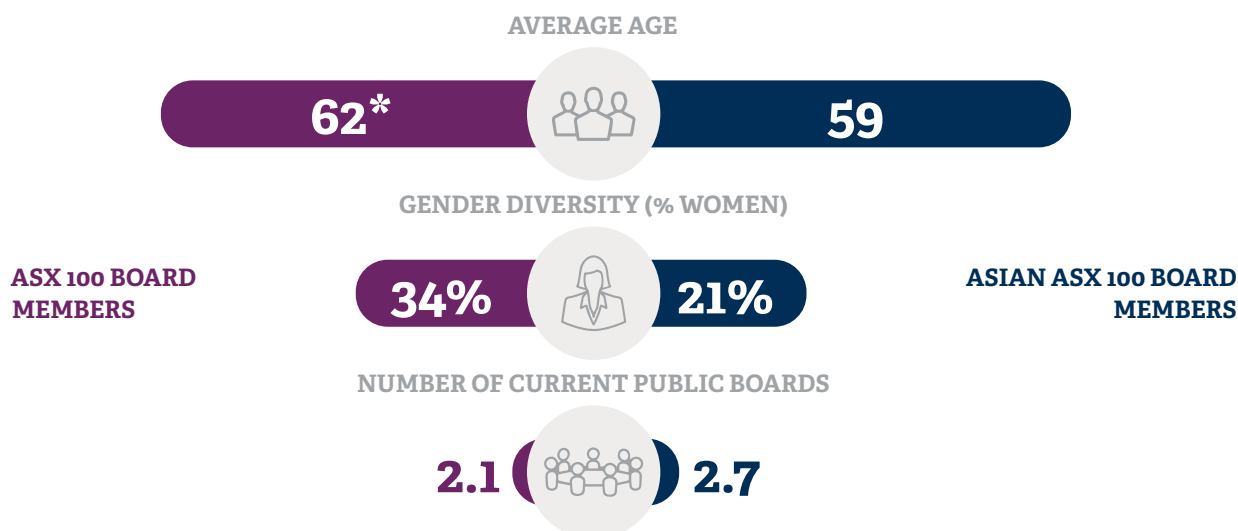
3. Forbes (2020) Global Fortune 500 (<https://fortune.com/global500>)

4. [Australia \(AUS\) Exports, Imports, and Trade Partners | OEC - The Observatory of Economic Complexity](#)

5. Report from the Business Council of Australia and The Asia Society's Asia Taskforce.

6. Directors of Asian descent who have not lived in Asia and/or who do not have any work experience in Asia have been excluded.

## ASIAN ASX 100 BOARD DIRECTORS TEND TO BE YOUNGER AND SIT ON MORE BOARDS THAN OTHERS



\*Calculated over ASX100 board members of which age was known, Jan 2021  
Source: Russell Reynolds Associates' analysis of ASX 100 board members.

The lack of Asian directors on ASX100 company boards indicates there remains a bias towards appointing Western directors over Asians, despite the many Asian executives working in Australia. This "bamboo ceiling" is "as pervasive as the glass ceiling experienced by women, but receives nowhere near the same attention," said Gareth Evans, the former chancellor of the Australian National University, last year. Given the continued significance of Asia to Australia and its success in the future, and the reliance of Australia on Asian markets, this has now become a major issue which boards need to consider urgently and carefully.

To improve their prospects for relevance and growth in Asia, it is time for organisations in Australia to act now.

### BOARDS AND LEADERSHIP TEAMS SHOULD DRIVE CHANGE BY:

- 1 Introducing explicit policies and targets in order to improve ethnic diversity on their board and in leadership positions.
- 2 Developing the right culture with inclusive behaviors in board members and leadership roles.
- 3 Acknowledging that unconscious bias may be at play and actively developing awareness and actions to mitigate this in nomination committees and leadership teams.
- 4 Introducing a mentoring program for aspiring Asian directors and leaders.

To keep up with the changing environment, and to capture and benefit from Asia's growth, it is essential for boards to increase their Asia capability. Boards that fail to address this gap will find it difficult to remain relevant beyond 2030, the year by which the world's economic weight is expected to have shifted to Asia, where four of the five biggest economies in the world will reside in terms of GDP (PPP).

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