

Navigating Business Building in Asia: Insights and Trends

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Key takeaways

Asia Pacific (APAC) is a dynamic and diverse region with world-leading growth potential. The region is projected to account for 60% of global GDP growth in 2024, despite recent global economic uncertainty.

Large corporations seeking to capitalize on this opportunity should look to create business-building engine capabilities that are able to deliver consistent results. This imperative will enable large corporations to accelerate growth dramatically.

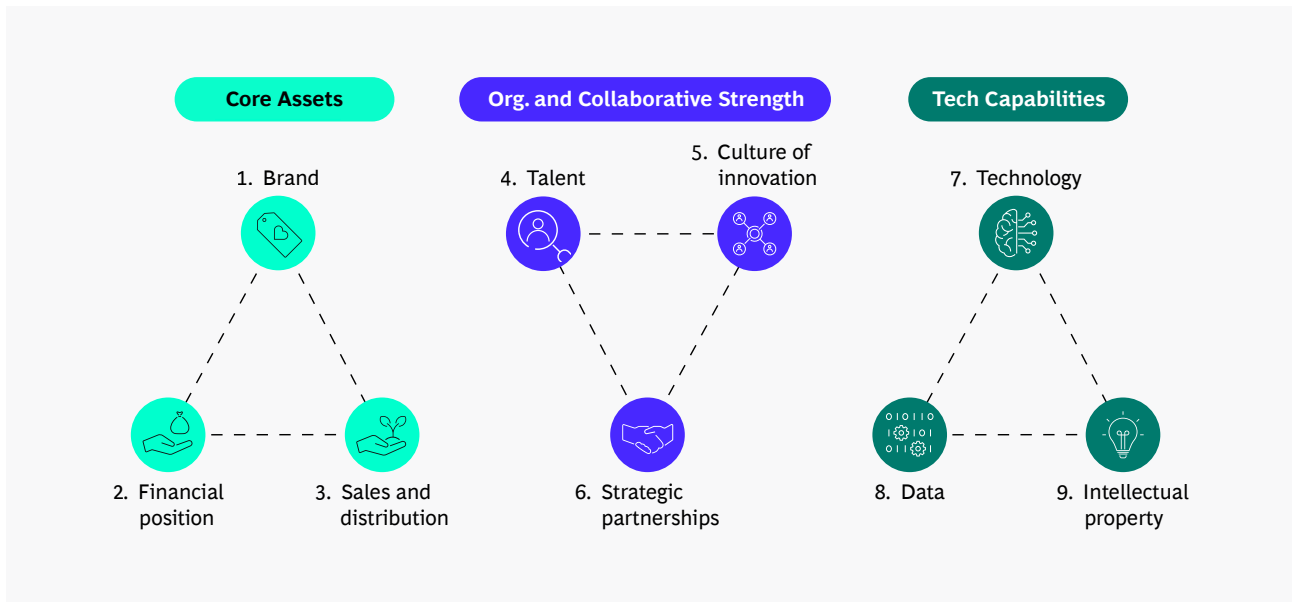
Business building involves finding new growth potential in existing capabilities—becoming, in effect, a continuous business-building company. High-growth activities include new go-to-market efforts, acquisitions, and the set up of entirely new subsidiary companies.

Nine strategic assets—shared across three categories of Core Assets, Organizational and Collaborative Strength, and Technology capabilities—enable breakout business building. [Exhibit 1.] The most critical asset, and most lacking in the region, is access and availability of specialized talent needed to pursue such dynamic, entrepreneurial efforts.

Our recommendation to corporate leaders in APAC is to capitalize on this significant growth opportunity through three key levers:

- Create a culture of innovation to attract and retain world-class innovation talent
- Develop a robust business-building methodology
- Use mergers and acquisitions to strengthen current strategic assets

Exhibit 1 - 9 Strategic Assets that Enable Breakout Business Building





Section 1

The state of business building in APAC





Section 1

- 1** Introduction
- 2** Priority of Business Building for Growth
- 3** Success and Struggles in APAC
- 4** M&A as a Business-Building Vehicle

1 Introduction

Over the past decade, APAC corporations have strategically prioritized the enhancement of digital proficiencies, which has primarily focused on bolstering core operations.

As this process progressed, these companies have not only adopted more operational methodologies such as agile ways of working but have also integrated innovative digital roles and fostered multidisciplinary teams with positions such as data scientists, product designers and software engineers. Thanks to the accumulation of these capabilities, we see many of our clients now expressing an ambition to venture beyond their core operations. They are keen to explore both adjacent sectors, as well as entirely new markets.

In order to realize this ambition, companies

are adopting a ‘business building’ approach. This comprehensive strategy encompasses the invention, initiation and expansion of fresh product and service lines.

We have already seen some prominent examples here in the APAC ecosystem. Grab, Southeast Asia’s on-demand ride hailing and delivery giant, has expanded into the financial services sector with digital payment solutions, lending and insurance services.

With its dynamic business landscape, APAC is poised to embark on a transformative economic journey over the next five years. Businesses need to build their capabilities to consistently pursue high-growth opportunities as a critical success factor if they are to capitalize on the growing value in this landscape.



"We're seeing more and more clients in APAC with the ambition to venture beyond their core business and capture new tech-driven growth opportunities as the regions' economy grows"

Romain de Laubier, Managing Director and Senior Partner,
Asia Pacific Regional Chair, BCG X

In order to understand the priorities and preparations of business leaders in APAC, BCG X surveyed over 400 senior leaders across the region about their business-building efforts. This included engagement with leaders in China, India, Japan, Australia and Singapore.

APAC leaders were open in sharing where business building sat on their list of priorities, the successes and struggles their companies have faced in the journey so far, and their short-term approach to expansion. We explore those topics in detail throughout this report.

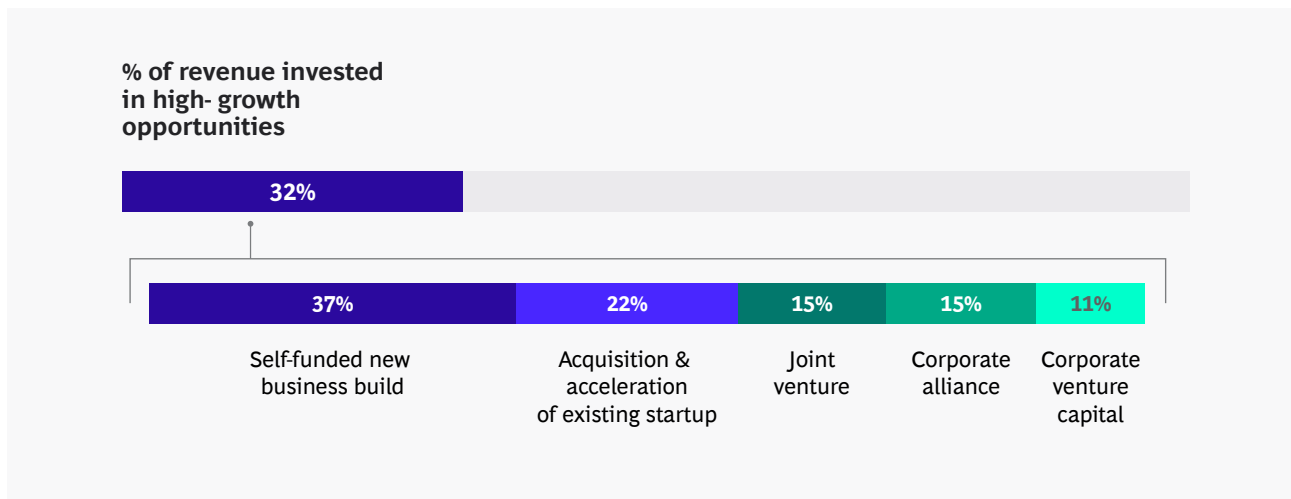
2 Priority of business building for growth

A significant 80% of executives surveyed say business building is a major priority for their organization. Of the 80% of companies prioritizing business building, they have pursued, on average, five new high-growth opportunities each year since 2021.

Perhaps unsurprisingly, APAC is the region with the greatest reinvestment of revenue into high-growth opportunities

globally. [Exhibit 2.] Almost one-third (32%) of annual revenue of APAC companies captured in our survey is reinvested into launching, acquiring or co-launching startup ventures—notably higher than the 27% global average. This reflects the encouraging regional optimism about future growth opportunities.

Exhibit 2 - APAC is the Region with the Greatest Reinvestment of Revenue into High-growth Opportunities

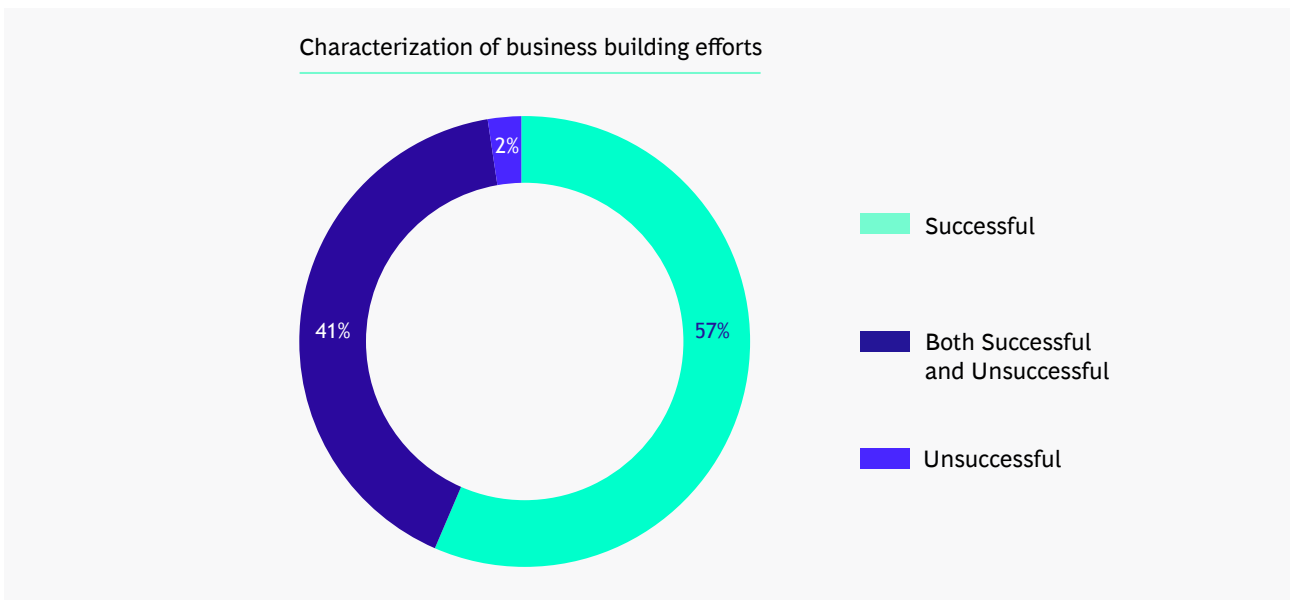


3 Success and struggles in APAC

Almost all APAC leaders (98%) say their business-building efforts are successful, at least in part. [Exhibit 3.] Yet a closer look at the survey reveals a gap between individual efforts and sustained viability—with 40% of leaders stating their companies are not

well-prepared for pursuing new high-growth opportunities. This represents a sizeable gap between the success of prior business-building efforts, against the confidence to undertake these activities again.

Exhibit 3 - 98% of Leaders Claim Success in Business Building, Yet 41% Also Acknowledge Failures

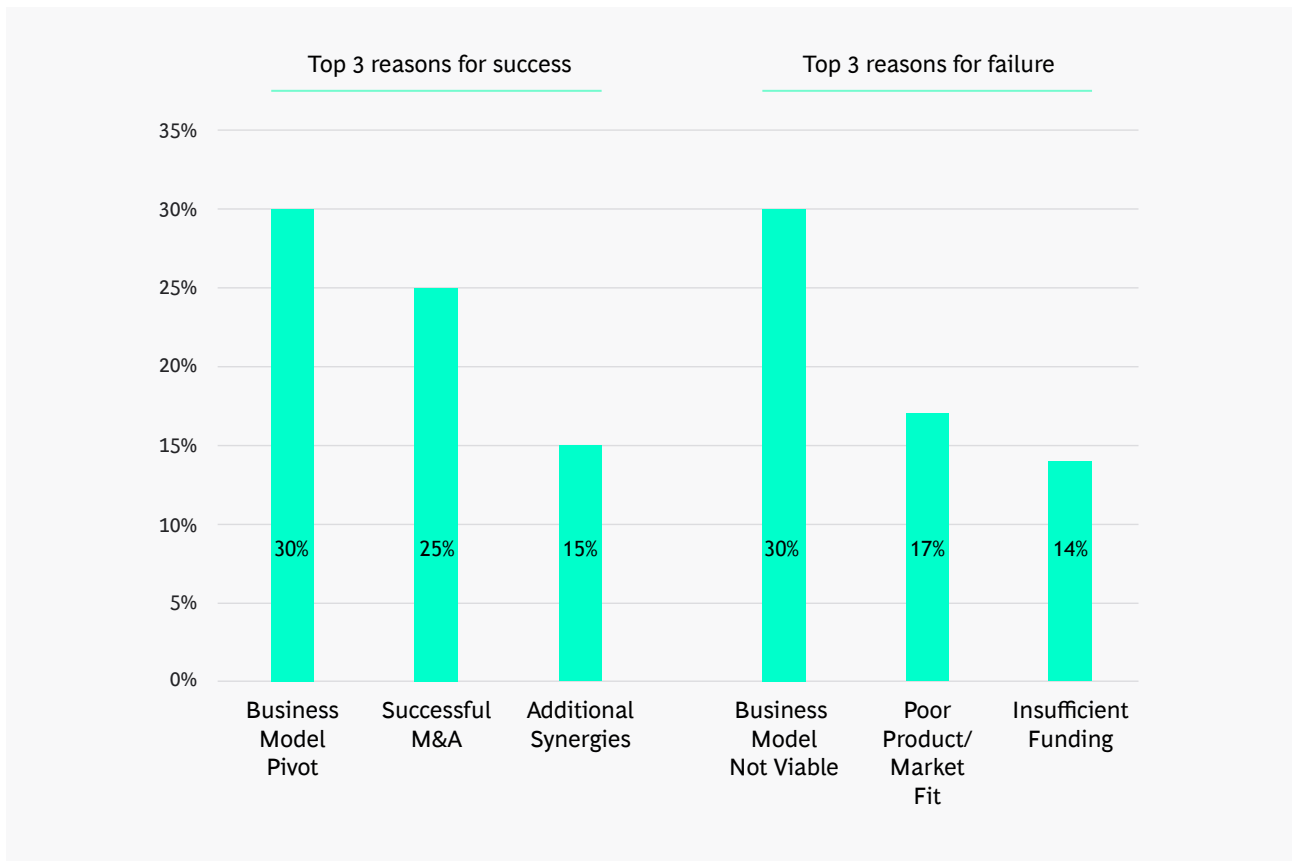


Leaders that engaged with our survey attribute business-building success to pivoting business models or acquiring companies outright to expand. For example, in India, fast-moving consumer goods (FMCG) giant Godrej acquired the consumer-care arm of fashion conglomerate Raymond in a deal valued at US\$340 million.

This can be contrasted against the two most cited reasons for failure in business building—lack of a viable business model and product market fit. Both failures stem from a lack of rigor in business-building methodology in efforts to properly vet business models and product market upfront, prior to heavy investment.

These findings indicate companies are succeeding with businesses which are established and running, but still struggle with building new business lines from the ground up. [Exhibit 4.]

Exhibit 4 - Companies are Succeeding with Businesses Which are up and Running While They Still Struggle with Building New Business Lines from the Ground Up



4 M&A as a business-building vehicle

While self-funded business build remains the dominant vehicle to pursue high-growth opportunities, mergers and acquisitions (M&A) are seeing renewed focus as a growth vehicle in APAC. Almost two-thirds (65%) of APAC leaders believe there is now higher focus on M&A than in the previous year within their organizations.



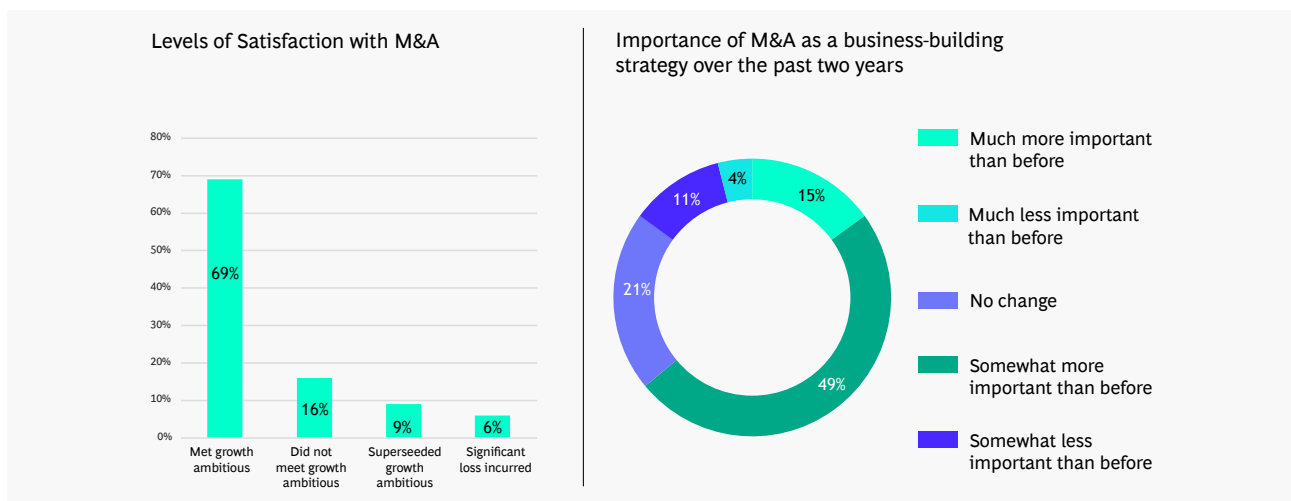
"In markets like today, M&A can complement your business-building strategy. There are a number of attractive assets on the market at fair valuations as multiples have come down."

Hanno Stegmann, Managing Director and Partner, Head of X Ventures Southeast Asia, BCG X

The mood music around M&A is also positive, with 77% of leaders satisfied with their organization's M&A efforts—a growth strategy rising in prominence as a result of broader economic slowdown. The economic headwinds mean many M&A targets find themselves in challenging positions due to failing cash reserves, and with significant cuts to valuations.

These economic dynamics create fertile ground for a strong M&A ecosystem. [\[Exhibit 5.\]](#) There is currently a unique window of opportunity for businesses to acquire and accelerate underperforming assets. However, it is important not to over-index on this singular vehicle as a growth strategy. As market dynamics shift, we anticipate a resurgence of premium valuations, narrowing M&A opportunities and their associated returns.

Exhibit 5 - M&A is Growing as a Business-Building Strategy Over the Past Two Years





Section 2

Key Areas of Improvement Required





Section 2




- 1** APAC business building must focus on nine strategic assets
- 2** Missing Pieces: Specialized talent and culture of innovation

1 Apac business building must focus on nine strategic assets




There are nine strategic assets which leaders in APAC should focus on, split across three distinct categories—Core Assets, Organizational and Collaborative Strength, and Technology Capabilities.

A company's strategic assets are key elements of business building that enable a launch to break through. Based on our own experience at BCG X of launching more than 200 builds, we have identified the following nine strategic assets as the most critically important.




Core Assets

-  **1. Brand.** A strong brand is crucial for gaining customer trust and standing out in the market.
-  **2. Financial position.** Healthy cash flow and robust financial position enables a company to sustain operations in growth areas.
-  **3. Sales and distribution.** Access to sales and distribution networks enables an organization to efficiently reach customers faster than fresh startups.

Organizational and Collaborative Strength

-  **4. Talent.** Skilled and experienced individuals are essential to execute innovation.
-  **5. Culture of innovation.** Culture should underpin an environment that encourages the pursuit of new ideas without the fear of failure.
-  **6. Strategic partnerships.** Collaborations with other companies, universities, community groups and government agencies can provide additional resources, capabilities and/or market access.

Technology Capabilities

-  **7. Technology.** The requisite technology and necessary technical tools and systems must be in place to deliver products and services.
-  **8. Data.** Data drawn from inside and outside the company should underpin informed decision-making.
-  **9. Intellectual property.** Intellectual property (IP), including patents, trade secrets and methodologies are fundamental to provide competitive advantage.

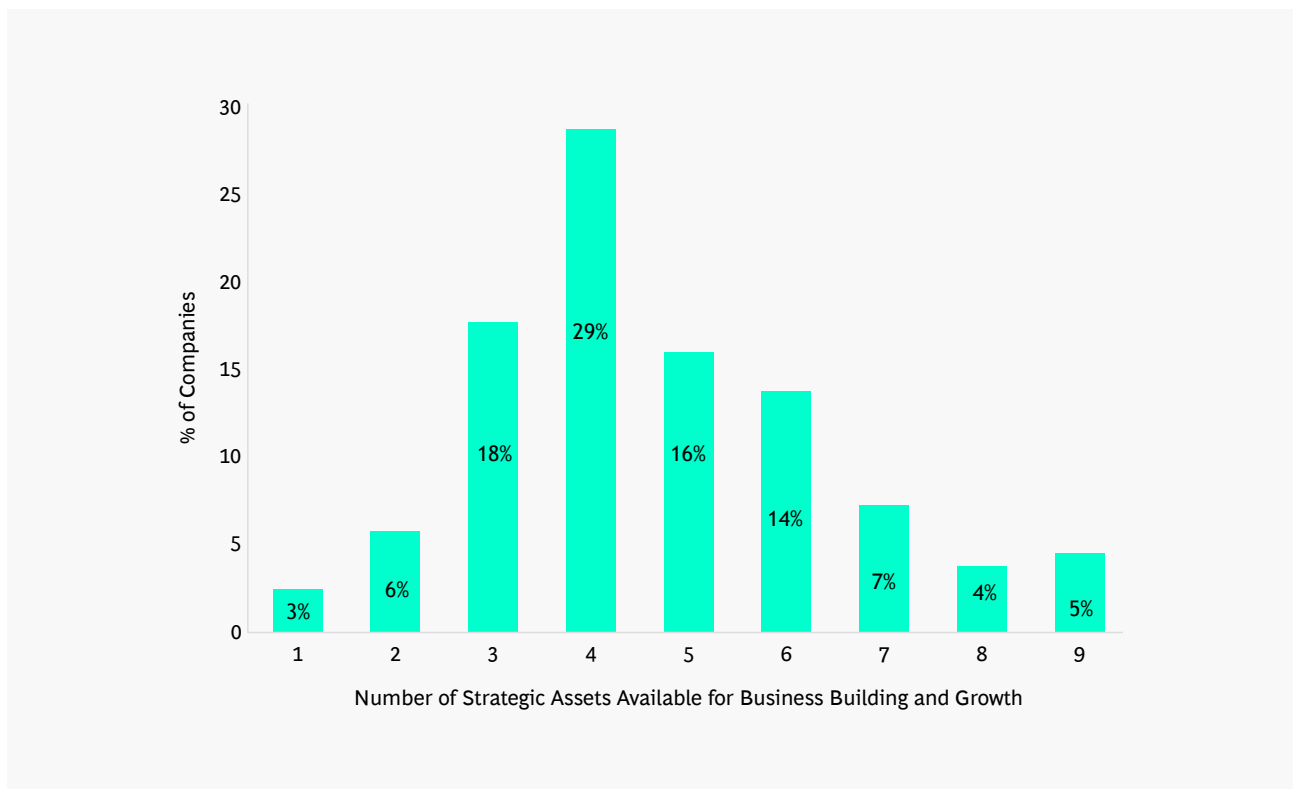
Our survey reveals that 71% of respondents have five or fewer of these strategic assets available, and only 4% of companies claim access to all of them. [Exhibit 6.] The assets revealed as most frequently lacking are (1) Intellectual property, (2) Sales and distribution networks, (3) Brand, and (4) Data which can be leveraged.



"Organizations that invest in new venture growth will see limited returns and a slower path to scale if they are unable to effectively leverage the assets they already have."

Kevin Lucas, Managing Director and Partner, BCG X Sydney

Exhibit 6 - Out of Nine Strategic Assets, Most Companies Claim Five or Fewer



2 Missing Pieces: Specialized talent and culture of innovation

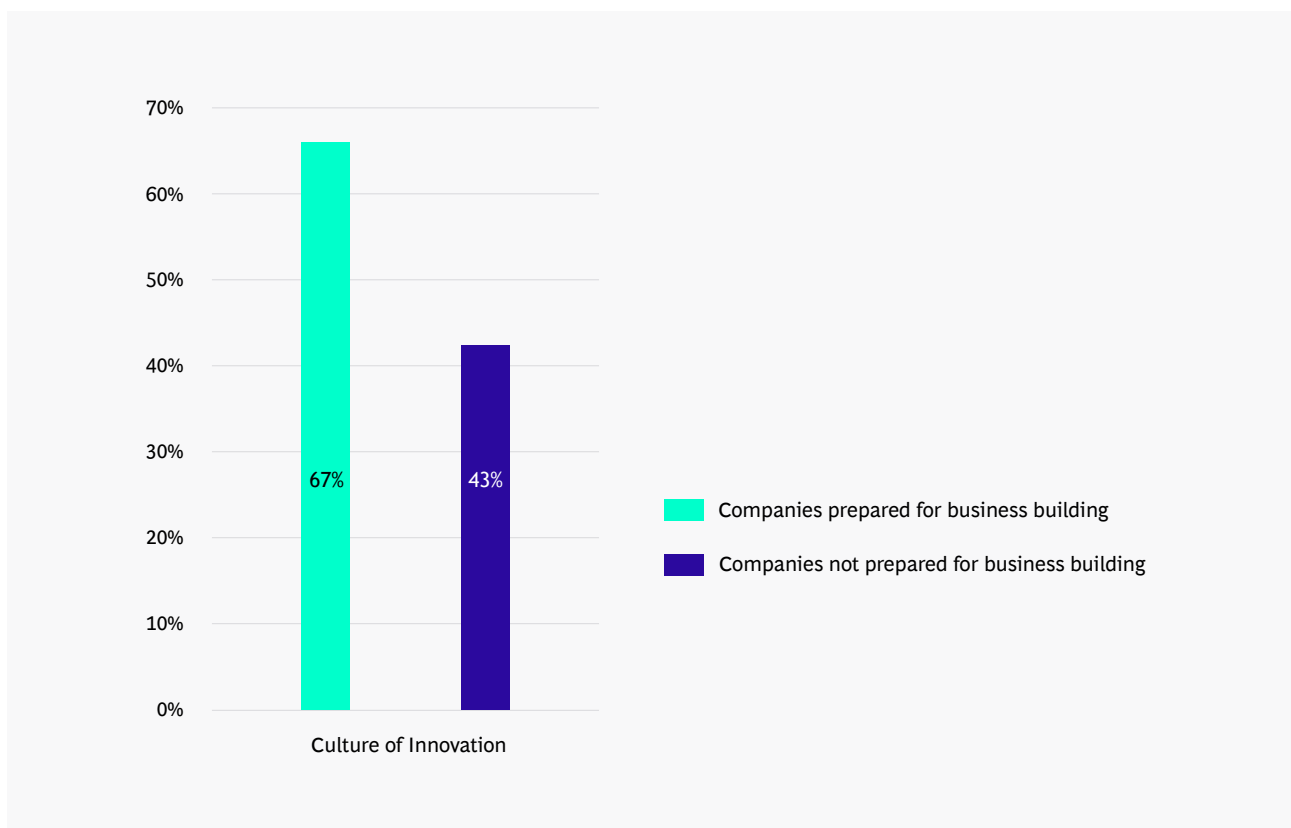
Our survey reveals the majority of companies claim to have the right talent, but three-quarters (76%) of companies are reassigning talent internally to build new businesses. This indicates to us that companies are overestimating the specialized talent available to accomplish their business-building goals.

We have observed a prevailing trend across APAC – there is a strong bias towards upskilling internal talent, with companies introspectively assessing their internal talent pool. However, there remains a lack

of effort in engaging with external talent and expertise in their business building endeavors.

In addition to this talent gap, of the 40% of companies that admit to not being prepared for business building, the most significant missing strategic asset is a culture of innovation. [Exhibit 7.] This is a stark reminder that intangible assets, such as company culture, can significantly influence a business's potential for success and growth.

Exhibit 7 - A Culture of Innovation is a Significant Strategic Asset to Address





Section 3

Three pillars of business building in APAC





Section 3

- 1 Develop a robust talent strategy
- 2 Implement rigor in your business-building methodology
- 3 Foster a culture of innovation

If you are a leader of a company looking to capture growth, a well-designed preparedness plan could change your trajectory and accelerate your time to value. This plan would require investment in underlying capabilities, not just in the individual business-building efforts. BCG X recommends three pillars to build the right foundation:

1 Develop a robust talent strategy



"Too few times do companies look outside their walls for specialized talent necessary to drive disruptive programs."

Aparna Kapoor, Partner, BCG X Singapore

It is pivotal that companies strike a harmonious balance between nurturing in-house talent and infusing fresh perspectives to avoid loss of experts and expertise that may have an outsized impact in determining the odds of business-building success.

The solution lies in defining the context of business building, and the best talent strategy to achieve those goals. If the venture aligns with your core business, leaning on internal talent familiar with the company's culture and operating procedures is a pragmatic choice.

In cases where ventures are branching out into new or adjacent domains, however,

a different skillset and experience in business building is often required. Such ventures benefit from external recruits, unencumbered by pre-existing organizational paradigms or thought processes. These recruits are free to quickly identify market gaps, understand clients' real needs, run lean experiments to de-risk and move fast within the specific operational constraints, and much more. This fresh talent will occasionally interface with core teams, primarily to leverage the unique strategic assets that the parent organization offers as a platform to business success.

2 Implement rigor in your business-building methodology

Corporate venturing, when undertaken with appropriate rigor, has proven to have higher odds of success compared against traditional startups and corporate venture capital. BCG X has launched over 200 ventures with this approach, delivering a success rate of 66%—compared to typical rates of 20% to 30% for traditional and corporate venture capital methods.

Embracing a thorough methodology for research and iteration early on can substantially mitigate product market fit challenges and viable business model risks. One strategy is to refine the approach and activities in early ideation and validation stages. It is important to determine if there is true willingness to pay for the solution prior to building. This can be done through multiple customer research methods, and

an interactive approach to refining value proposition towards one which customers are happy to pay for.

Realistic market sizing along with a well-defined investment prior to breaking even is equally important. This will help companies understand if they have identified a genuine opportunity worth pursuing.

In addition, collaboration with venture-building studios can elevate the business-building process. Such studios not only bring to the table their specialized expertise and methodologies but also empower in-house teams. By integrating external expertise with internal knowledge, companies can benefit from a holistic approach to product development.

3 Foster a culture of innovation

Our extensive engagements with clients across APAC over the past year have illuminated a clear trend—companies are placing growing emphasis on cultivating an innovative organizational culture. These companies are increasingly harnessing BCG X’s expertise in venture building and innovation to strategize and implement effective innovation activities within their own organizations.



"Companies have rightly focused on operational excellence in their core activity, but operational excellence does not necessarily translate into a culture of innovation"

Nipun Kalra, Managing Director and Partner, BCG X India

If you're a leader looking to create a culture of innovation in your company, there are some important questions to consider:

- Have you implemented a comprehensive business-building methodology to streamline your innovation efforts?
- Are your operational processes and resources in place to support venture building and innovative endeavors?
- Have you established a robust governance structure to facilitate innovation?
- Are you actively prioritizing the development of an innovative organizational culture?
- Are there clear pathways and incentives for entrepreneurial talent to pursue business building?

Conclusion: Capturing value in APAC's thriving growth landscape

Businesses in the APAC region stand on the cusp of realizing unprecedented growth opportunities, with leaders poised to capitalize through a variety of business-building strategies. Insights from our survey reveal a clear trajectory for corporate leaders as they look to embrace these opportunities:



Balance talent strategies. Blend internal upskilling with external expertise for a robust approach to business building.



Enhance methodologies. Implement rigorous business-building methodologies ensure viable business models, strong product-market fit and other fundamentals.



Leverage strategic assets. Strengthen core assets, most prominently a culture of innovation, to ensure the right building blocks to meet your growth ambitions.

The road ahead is filled with both challenges and immense potential. By strategically focusing on these key areas, APAC leaders can not only bridge existing gaps, but also harness the full potential of their business environments, paving the way for sustained growth and long-term success in the dynamic APAC landscape.

Appendix



About BCGX

BCG X is the pioneering new tech build and design division of Boston Consulting Group. It is uniquely positioned to support companies seeking to kickstart the journey to new markets through venture opportunities. BCG X brings together advanced tech knowledge and ambitious entrepreneurship experience to turbocharge BCG's trusted corporate offering. The division is positioned to help organizations embrace, enable, and succeed in delivering innovation at scale, backed by over 3,000 technologists, data scientists, programmers, engineers, and human-centered designers located in more than 80 cities across the globe.

Visit the BCG X website at www.bcg.com/x

For more information on business building, please refer to our global report [here](#)



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Hanno is a member of the leadership team of BCG X, Boston Consulting Group's tech build and design unit. Hanno leads BCG X venture building across Southeast Asia. He is dedicated to inventing, building, investing in, and launching category-changing businesses at startup speed together with the world's most influential corporates. Over the last few years, Hanno has launched more than 10 new businesses in various industrial goods and consumer products companies that have created billion-dollar impact.

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This article is written as part of the [Corporate Venture Launchpad 2.0](#) program, an expanded S\$20m program by EDB New Ventures designed to enable companies to incubate and launch a new venture from Singapore, supported by venture studios experienced in corporate venture building.

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