

The SE Asia and China Experience Gap

Successful business outcomes with customers, suppliers, and employees in SE Asia ⁽¹⁾ and China are dependent on understanding and adjusting to the realities of local business maturity. Repeatable high-quality business performance builds on well-designed, and controlled quality, engineering, operations, and administrative processes. The #1 mistake Western companies make is assuming the processes in these countries are as mature as in their home countries. Functional management in developing countries generally lags significantly, requiring Western companies to adjust interface processes to optimize the probability of success.

(1) For this paper, SE Asia developing countries do not include Japan, Taiwan, South Korea, and Singapore.

The management maturity of the developed West has evolved from a continuous process over generations. It starts with the individual. We each have our personal formal education and experience pools. More importantly, along the way each of us learned from mentors, who learned from their mentors in a process that has taken decades to reach today's high level of sophistication. In some disciplines, that process evolution has taken centuries. For example, our legal and regulatory system has evolved over the nine centuries since the Magna Charta in 1215.

In typical Western companies, teams consist of members with 40+ years' experience, working alongside others with 20+ years' experience... down to "newbies" just getting started. This multi-generational profile drives rich "organic" development of staff and management processes, building a deep pool of middle management leadership across functions. In SE Asia and China, there are few professionals locally (other than expats) with 20+ years Western-grade management experience. This is simply the reality and the challenge that Western businesses must de-code when sourcing, selling, or managing subsidiary operations in these countries.

The strength of Western business is built on the large pool of highly capable middle managers leading technical, purchasing, quality, manufacturing, and administrative teams. They operate tactical processes to high standards. They lead functional improvement, adjusting processes and expected standards to the dynamic realities of the business. They train, monitor, and correct the performance of their subordinates. This middle management sophistication is the lifeblood of the ultimate success or failure of most Western enterprises.

Middle management in SE Asia and China companies is very different. Middle managers in these countries start with far less experience than their Western counterparts. They use equipment and management tools that often remain 1-2 business generations behind the West. For example, very few such companies use advanced materials management processes such as MRP (Materials Resource Planning) that has been a staple of materials management in the West for decades. SE Asia and Chinese companies commonly wait to buy materials until they have a customer order or have bulk-bought materials with little or no relationship to expected production demand. Few companies in the region have reliable transparency into true product costs because cost accounting disciplines are not developed. These are just some of the process weaknesses that impede the effectiveness of middle management in SE Asia and China.

Even more important is that in contrast to their Western counterparts, middle managers in SE Asia and China companies have far less delegated authority. The common business culture is strongly "top-down". Middle managers execute processes dictated by top management and lack authority to re-engineer processes for improvement programming. In the West, delegation of authority and results accountability to middle management is the key to improvement speed and content. "Best practices" senior managers in the West set

objectives and standards of performance, define the overall business infrastructure elements and then hold middle management accountable for optimizing functional processes. In SE Asia and China companies, the cultural “*top-down*” management orientation, coupled with far less middle management experience slows functional development. The unavoidable broad result is less capable, less consistent, and less reliable performance.

To be fair, there are SE Asia and China companies that match or approach the functional maturity of top-notch Western companies. However, these success stories remain a small minority. Companies in SE Asia and China are improving – many of them rapidly – but the overall level of functional maturity continues to lag – even as Western processes and expectations maintain their own continuous improvement momentum forward.

This challenge should not discourage partnering with SE Asia and China businesses or pursuing aggressive strategies. Developing practical tools and actions to bridge the differences to optimize your Company’s success prospects is not rocket science, but it requires careful development of interface tools and diligent management of your Company’s foreign relationships.

WMC Consulting is a project management and advisory firm assisting North American companies and private equity groups to identify and solve cross-border business challenges primarily in SE Asia and China. Over the past 17 years, the WMC team has worked on 400+ international projects for 300 North American companies and 50+ private equity groups.

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