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The SE Asia Experience Gap

With the current advanced infrastructure in many major SE Asia cities, it is tempting to assume that the region is now modern with broad sophisticated industrial capabilities. While strong pockets of world class capabilities thrive in the region, much of it remains far below the business sophistication and capabilities of the West. Travel short distances from cities like Shanghai or Bangkok and you'll find the infrastructure, industrial base and commercial environment severely under-developed. This is the challenge of the Experience Gap with operational, institutional, and functional management differences that must be understood and adjusted for by companies to achieve success doing business in SE Asia.

(Note: Japan, South Korea, Taiwan and Singapore have been world-class manufacturers for decades. Accordingly, they are not among the countries affected by the Experience Gap.)

Operational Differences – Many operational practices between customers, suppliers and employees common in the West are not present across SE Asia. As just one example, even today if a Western company requests 10 samples that meet a defined specification, the samples received are usually test compliant. When commercial quantities are received, production quality can often fall short of expectations. It is not uncommon to learn the supplier sorted through production to find the best samples. The supplier answered the literal request but not the intent to randomly test production quality.

- During a recent quality assessment of a major China medical product manufacturer, the initial appearance indicated excellent outward “*clean room*” and world class equipment. On closer inspection, the test equipment had not recalibrated for two years, a “*QA 101*” failure that seriously undermined manufacturing quality integrity.

For sustained supply of on-going strategic goods, it is important to confirm first-hand, formally and periodically that manufacturing, quality, technical support and logistics capabilities consistently meet required performance expectations.

Functional Management Differences - The central strength of Western businesses is middle management – technical, operational and administrative. These middle managers are expected and empowered to take initiative adjusting practices dynamically to actual conditions. This is enabled by the multi-generational learning process advantage in the West. It is also due to cultural differences.

In the West, we routinely delegate authority down through organizations. Middle managers must understand the objectives of the business and nimbly drive improvements within their departments. Throughout SE Asia, changes and improvement almost never happen without direction from senior management. Seldom do department managers have the same level of tactical authority or experience compared to their Western counterparts.

In 2026, there is still only a relatively small cadre of local SE Asia managers with over 20+ years of Western grade experience. Companies across the region are usually managed by employees who have less than 10 years of “*equivalent*” experience. This is a drag on nimble functional management.

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Even today, the use of rudimentary Western tools like full-function MRP, solid model engineering systems, and advanced data-driven QA systems, is far less frequently integrated.

Institutional Differences – Western processes such as banking, insurance, capital markets, and government regulations are well-developed and predictable. Business is generally conducted to a common set of rules. There may be differences by state and municipality, but minor ones. Across SE Asia, regulations – even national laws – can vary widely by local interpretation and implementation. The banking and insurance systems are far less developed than in the West. Financial reporting transparency and capital markets across the region remain embryonic by Western standards. Environmental, labor, and safety practices and enforcement can vary widely imposing uncertain cost and risk factors. Import and export regulations and common practices are very different by country and are often very different than in the West.

Adjusting for the Experience Gap Reality – SE Asia has come a long way over the last thirty years. However, the commercial environment is simply far less developed and sophisticated than we take for granted in the West. This is not a criticism of SE Asia, just an objective observation.

Many foreign companies struggle in SE Asia because they fall into the trap of assuming paradigms and processes that work well in the West are equally developed in SE Asia. Sustained supply success requires a structured “*trust but verify*” approach to relationship management. On-site factory assessments testing compliant and improving supplier operations, QA programming, technical support, and logistics should be conducted no less frequently than annually. Formal supply contracts synchronizing the full range of performance expectations and T&Cs with major suppliers are important components to closing the SE Asia Experience Gap. With this disciplined approach to supplier engagement and oversight, SE Asia can deliver high-value supply solutions.

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