

# HEADHUNTER BLOG

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Headhunter Blog Post by Bob Otis, ART Managing Director

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## **BizGeography101: How Businesses Mis-imagine the World**

### **Part 4 - APAC (Asia-Pacific)**

This is the fourth post in our series covering the topic of how companies often misunderstand regions, countries and cultures to the extent that they miss out on many business opportunities,

**Our background on the Asia-Pacific region.** The first region of the world that our firm recruited in beyond our own region of North America was the Asia-Pacific region. That was in the early 1990's. Our first assignment was to find a General Manager of an American electronic components firm who would be in charge of a 3,000 person factory. The incumbent was an American expat whose workday was largely spent squirrelled away in his office, rarely appearing on the factory floor. I should add that he was not paid very well, perhaps deservedly under the mindset that "you get what you pay for."

Initially our client wrongly felt that we should find a local candidate at that salary level or lower. We then recruited every GM, Plant Manager and Manufacturing Director in the country's semiconductor industry, and we presented the top three candidates, based on their industry experiences and management philosophies. Our client ended up hiring the person we thought was the best one - a local candidate working at a competitor to our client, already with a salary that was twice what our client paid their incompetent incumbent expat. Our client strongly preferred this candidate, and they offered him a substantial raise to join their firm, believing that he would be a great investment. He was! His great turnaround skills fixed the Philippines unit and his management system served as a model for the firm's first China plant. Our candidate remained for more than 10 years on the job, until he retired, a few years after the the company was acquired by a top semiconductor firm.

Since this series focuses on errors that companies make in recruiting in countries other than their own, the main lessons from this client's case are these:

- Salaries are always related to the scarcity of suitable candidates and the value that a particular candidate potentially could bring to a company. If you have a poorly performing manager at salary X, maybe, but not always, that salary in itself should not be seen as the default salary for that job. The objective is to hire a capable manager whose work will impact revenue far beyond his or her salary. The objective is not just to disburse X amount of money to some office-holder. The low

salary in itself might be a reason why only the "wrong candidates" are attracted to that job.

- in Asia especially, many foreign and yes, many local Asian companies as well, get bitten by the "bargain fever" bug. The notion goes something like this: "In foreign country X, the average wage is a fraction of what it is in our country, so when hiring, do not offer more than the average wage for the job." Here's the problem: a foreign firm cannot afford to hire an "average manager" to run their unit, unless their objective is to run a company by the same standards as an "average" local firm.

A person who works at a locally owned firm in a mid-level role in his or her own country often has not gained the necessary skills or business management outlook that most Western and top Asian firms absolutely require. The candidate pool for such companies is not going to be an "average worker at an average salary."

For the foreign firm to be successful, they need a person whose personal, educational and corporate exposures have been more similar to those of an average world employee of that company. This is an issue way beyond English skills. In a populous country, there might be within a set industry, and within a single city, a relatively small available candidate pool that could be useful for a foreign company. That relatively small group is constantly being courted and hired by other foreign firms, resulting in such candidates being at very different salary levels from "average" compatriots. So foreign employers recruiting in an Asian country need to think of "average national salaries" as something different and apart from the kinds of salaries that the firm might need to pay in order to attract those candidates who are actually capable of being the firm's key managers.

- It cannot be over-emphasized that risk of a key hire is minimized if the candidates considered have worked at a competitor firm and, ideally, in a very similar business and corporate cultural mindset. This would or should seem plainly obvious, but many companies do not take such things into account, and they later discover that their key regional hire's management style is inconsistent with that of HQ. In one case, where we recruited a U.S. business unit CEO for a multi-billion euro European firm, our client strongly preferred not only candidates who had worked for European firms, but candidates who ideally had familiarity with their specific business culture (Nordic), because, according to them, "our style is a little different."

Our client was correct. A good American CEO who had worked entirely for large American corporations likely would come into that European-owned U.S. business unit with very different managerial attitudes and assumptions as to how business "should be run." That would not mean that such a candidate could not possibly adjust. Rather, it means that a candidate who had many years working for a corporate structure and business culture that was closer to that of the foreign employer's model might be less of a risk in hiring. Asia would be no different, nor would Europe. If there is a foreign corporate owner, it is easier for both the candidate and the employer if the candidate had a track record working in a similar corporate environment. That is not always possible or necessary, but it can be useful in bridging assumptions and misunderstandings.

- In doing a recruitment search for a key Asia-Pacific Head or manager, it is important to never take the easiest route to hiring. A simple online jobs advertisement followed by a fast video interview and an offer? Is that how you really want to hire a General Manager to run your Asian business or a Country Sales Director? All for the sake of getting the task over with fast? Please, for both the candidate and for the company, it is important that the right choice be made. There should be multiple interviews with multiple regional and HQ managers, so that both sides could get to know one another well. The candidate must start out with a similar approach to running and expanding the business unit, but the way to determine that is through careful consideration, not speed.

- Experienced and capable expatriate candidates might be the right choice for some companies, but in most countries of Asia there are outstanding local candidates who might be even better at creating a regional vision for the business. As with any recruitment, a company must consider an individual's personal track record and capabilities. There is nothing about a passport or nationality that automatically conveys competence or success.

A few decades ago a noteworthy world business publication asked me, "Should being posted as Asia-Pacific Director be considered a hardship posting for an expat?" I was pretty shocked by that question, and I told the reporter that that question reminded me of the old whiny complaint that some Western expats had that "it's terrible that a cup of coffee at a hotel in Tokyo costs \$20." Such notions came from the idea that "it's just so hard" for a foreign manager to perfectly replicate his or her life at home in Asia.

My approach is this: if you are working in another country and find it unbearably hard to replicate your old life, then please quit your job, for which you are undoubtedly paid more than you would be at home, and get on the first plane back home. Then your sufferings could be alleviated and your job could be filled by a person who really can focus on what's important. Maybe even another expat!

Just to address the all-important issue of the cost of hotel coffee: eat and drink where local people eat and drink. If they drink tea, drink tea. If you cannot break yourself of the habit of eating all your meals at your hotel, then how can you really manage your region and reach your customers? I know my comments here are simplistic, but they point at a big problem that many foreign companies have: is your regional team really at the top of their game?

Our firm has recruited throughout the Asia-Pacific region - from India to Southeast Asia to Greater China to Northeast Asia to Oceania. We have recruited in nearly all industry sectors in the Asia-Pacific region. We recruit not only in national capitals but also in most major cities. We recruit local and expatriate manager-level candidates. Typically our local managers have worked at leading foreign firms and they are fully English business-fluent, with many being multi-lingual. Many local candidates have studied at leading regional and Western universities and business schools and many have worked outside their own countries.

When we are asked by a company that wants to set up a new Asia-Pacific headquarters, naturally the first question that we ask is: where would your Asia-Pac HQ be located? In one case, in May 1998, an American software company came to us, seeking a VP Sales and Marketing for Asia-Pacific, but they did not know exactly where to base the position. They needed a few days to think about where to locate their office.

We asked them the extent of the sales territory, in their company's expectations, and they responded: "From India in the west to Australia in the east. So then we'd like it to be in the center, in Indonesia." Indonesia is a great country, but in May 1998 the country was embroiled in furious political demonstrations as well as horrible riots. Moreover at the time it was not where the largest pool of pan-Asia-Pacific software sales heads were to be found. That was Singapore, and that is where we recruited an outstanding VP Sales and Marketing for our client.

Surprisingly, many North American and European companies enter the Asia-Pacific market without properly understanding national cultures, or actual business, economic or political realities. Then, once settled in, sometimes too late, they discover big problems with their choice. That's why we try our best to work with our clients early on to discover the best location for their immediate and longer term plans for the Asia-Pacific region.

Great candidates for pan-Asia-Pacific roles could be found in nearly any Asian country, but the ability of that person to be most successful could be held back by local political, cultural, geographic, legal, or economic factors. Ignoring reality is not good for business. And sometimes a company has to make hard choices, balancing pluses and minuses, as far as a key Asia-Pacific recruitment.

**In the decades that our firm has recruited in Asia, we have seen many positive changes, which impact on the recruitment strategies of our client companies.**

- In general, the English language skill level of managerial and staff-level candidates has tremendously improved in all Asian countries. In South Korea, for example, managers with good English were not easily found twenty years ago, but a generation later, there are many excellent bilingual candidates, often having been educated or having worked in the U.S., Canada, Australia or the UK. Many also are fluent in Japanese and Mandarin, making those candidates very valuable for Regional Head roles. There also are numerous candidates in Korea nowadays with good German or French skills, with many bringing work experience or education from Europe.
- More importantly than just having good English, is that the business training and managerial outlook of many in the managerial class is more international and outward-looking. Managers are very clued in as to what goes on in Silicon Valley, Amsterdam, Munich, Dubai and the rest of the world and they are often coming in with best-in-class business styles, motivations, and methods.
- Once very tightly controlled trade policies in some countries, such as were found in Japan, have eased, and it is now easier for foreign firms' products and services to compete on an equal footing with local firms.
- There are more managers who have worked in pan-Asian or regional Asian business models, where it is common for business units to be multiculturally organized and managed and where there might be integration of different departments and teams crossing national frontiers. For employers from outside of Asia this can be especially helpful, because firms could expect to find the best and the brightest managers who will already have professional contacts and colleagues across the APAC region. A small or medium sized foreign company, powered with that kind of manager in Asia, could hit the ground running and be better equipped to build a formidable APAC team

**We have seen problems develop as well... but those problems are creating new relationships and new business opportunities in many Asian countries.**

- One country is implementing a great leap backward, quite systematically, to the great detriment of its populace, its neighbors, and the world community. Decisions made, especially in recent years, have wiped away growth expectations for many local and foreign businesses, taking with them career opportunities for millions of talented people and their families. Altogether, these moves have in turn fundamentally caused world businesses to look for alternative regional solutions for their Manufacturing, Supply Chain, Finance, R&D and other operations.

**Some points for foreign companies to consider in staffing their Asia-Pacific business units, including possibly redoing, realigning or reassigning report structures:**

- What if you base your company's APAC HQ in a location where English skills in the managerial class are not very common? Would you have a sufficient number of suitable candidates for your

needs?

- What if English was very commonly spoken - comforting to you in HQ - but the location was at a long distance from other Asia-Pacific markets, thereby adding costs to sales efforts?
- What if you feel that you have found the perfect Asia-Pacific location but the standard of living in that country is much lower than that of some wealthier Asian countries? You could find that your Regional APAC HR Managers and other APAC Regional Heads might often conclude that "everyone is overpaid" in those wealthier Asian countries. Salary conflicts of this type are common the world over, including Canadian or UK salaries versus comparatively higher US salaries.

In cases of this type, often the local regional managers will default to the position of not considering candidates who earn more than they, despite the differences in economies or the urgency to find the best person for that country. The result then is that often the national sales manager chosen for the wealthier country, for example, might be less experienced than what is needed, and therefore might be less effective. In this very frequent and very under-reported problem, whole countries in the region might suffer or there might be unusually high turnover in such roles, a condition that might be rendered unexplainable to HQ management.

- English skills alone do not matter if your Asia-Pacific managers are not great two-way communicators. What am I referring to? Because the Asia-Pacific market is important for the overall success of most foreign companies, it is imperative that the local managers not only be good at transmitting headquarters' business culture and expectations to the local staff, but that the local Asia-Pac managers be empowered to tell HQ about the regional staff's and customers' needs and challenges. Although times have changed rapidly in Asia, it still is often relatively common in some cultures for it to seem rude for a person to say "No" to one's boss, or to tell the boss about bad news. In fact, the world over, most people are not usually encouraged to tell their firm that they need to change strategies or that the big boss made a mistake.
- There is one last frequent hiring error that I'd like to mention in this post. It is a mostly American tendency to recruit the Asia-Pacific sales territory as if the incredibly diverse Asia market were no different than would be a recruitment for a U.S. Midwest Territory Manager. In fact, I have often been sent a standard U.S. regional sales manager template job description for Asia (as well as EMEA and Latin America). I understand that the reason for this, in part, is just that an opening came up and the handiest JD was that of a U.S. regional sales manager. That is not the problem.

The real problem is that many companies, particularly in the U.S., think of other world regions as "just another regional sales job." And to make things go from bad to worse, often such companies think that the same candidate profiles and same business approach that might work selling stuff in the U.S. to U.S. customers would work in Asia or other world regions. So a company that thinks it's a good idea to put a person with five years' experience in charge of the whole U.S. West Coast market, ends up being surprised that a similar profile doesn't work well in Asia, EMEA or Latin America.

The difference is that many U.S. firms exist with skeletal staffs, and that business model is so common in the U.S. that it might not seem odd that a junior sales exec is sent out to call on a CEO of another U.S. firm. But in Asia, where the likely target customers are going to be large firms, sending a junior sales person will be received by a junior opposite number at the customer's firm. This has to do, in part, with a recognition of rank and hierarchy in Asia, but also it is due to company size. It simply would be ridiculous for a CEO of a firm employing 10,000+ to have to sit down and hear a sales pitch from an inexperienced sales rep. The potential C-level customer in Asia has a lot more productive ways to spend time.

Moreover, from the customer's point of view, sending a junior sales rep is, perhaps rightly, interpreted as meaning that the foreign firm does not adequately respect or appreciate the customer. Other Western firms, by contrast, might send an Asia Regional Director or a well-known Country Manager to make that sales call. They will get the sale, not the "plucky" firm that is so poorly invested in Asia to believe that a sales person a few years from university graduation working out of a home office should be getting the big sale.

## **There are many Asia-Pacific organizational business structures to choose from.**

As tempting as it might be to lop everyone into a single Asia-Pac report framework, whenever possible, we recommend that firms consider sectioning off similar regions, unless the firm is small or unless it would make more sense logically to do otherwise.

These regional chiefs might report to a sub-regional head or directly to HQ, if that might work better. The bottom line is that political, economic and social differences in the Asia-Pacific exist, as they do elsewhere, but ignoring these matters for the sake of simplicity might be a very costly error. Perhaps the most successful sub-regional heads could compete for the big job of Asia-Pacific Head. That could give a firm time to evaluate individual and business unit achievements, rather than rushing to find an Asia-Pacific HQ "somewhere between Mumbai and Sydney." ;-)

### **Some sub-regional structures that we often suggest:**

--Northeast Asia: Korea, Japan, Taiwan and Mongolia

--China plus Hong Kong, or in sub-regions:

South China (Hong Kong, Shenzhen, Guangdong & Fujian, etc.)

Eastern China (Shanghai, Jiangsu, Zhejiang, Nanjing, etc.)

Northern China (Beijing, Tianjin, Northeast, etc.)

Western China (Chongqing, etc.)

--Southeast Asia: Singapore, Malaysia, Vietnam, Thailand, Indonesia, Philippines

--India and South Asia

--Australia, New Zealand, Pacific Islands

As we mentioned in earlier articles in this series, the ultimately correct recruitment strategy comes with first reviewing what a company's goals and resources and expectations are in the region. The unique requirements, business objectives and budget of each company is what matters most. And as far as the candidate(s) chosen for key Asia-Pacific managerial roles, it is the individual, not the person's country that matters most. Each country has magnificent managers who "think beyond the typical" and these are the candidates that we most pride ourselves in identifying and presenting to our clients for their key positions.



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