



Leading through fragmented markets: Navigating APAC and China's shifting realities for MNCs

Navigating APAC and China's diverging market landscape

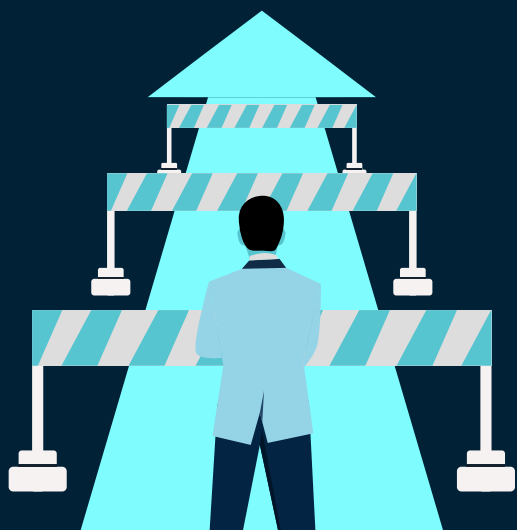
In today's global environment, US-based multinational corporations (MNCs) face unprecedented complexities across APAC. According to [the 2024 Member Survey](#) by the US-China Business Council (USCBC), geopolitics is the top issue affecting US-China relations, influencing 85% of respondents' five-year outlook. This is followed by concerns over domestic market growth and the evolving policy and regulatory landscape.

As geopolitical tensions continue to disrupt business relationships and offset growth trajectories for American companies in China, compounded by uncertainties following the US election, a "New China" is emerging – one which calls for leaders to adopt more tailored talent strategies to remain competitive within China, while also assessing and readjusting their broader APAC strategies.

In response, MNCs are increasingly adopting dual models for China and APAC, with distinct management approaches for each. While China demands a deeply localized strategy, the broader APAC region requires strategic diversification across high-potential markets such as India, Vietnam, and Thailand.

Confronting key challenges and market shifts for MNCs in China

China's macroeconomy



China's macroeconomy has emerged as the second biggest challenge for companies operating in the market. Less than half of respondents expressed strong or moderate optimism about their five-year business outlook in China, marking a record low for the third consecutive year.

The industrial landscape in China and across the globe is becoming increasingly complex. China's pivotal role within the global supply chain and industrial technology development across various sectors creates a multifaceted operating environment. For companies relying on China for cost-effective manufacturing and those looking for innovation in emerging sectors, managing business operations is becoming more difficult. Local management teams face challenges related to maintaining business stability and identifying new markets and sales channels. At a global level, companies are grappling with strategic decisions on whether to revise their strategy entirely or commit to local markets.

While there have been some discussions around "China Plus One," the exact strategy and its impact on businesses operating in China remain unclear. For MNCs in China, the question remains: how do we navigate this period of uncertainty? And crucially, how long will this last? What is certain is that the longer this uncertainty persists, the more likely companies will need to consider shifting operations to more stable markets.



In November, the Chinese government unveiled a \$1.4 trillion stimulus package to bolster its slowing economy and support local governments, with additional measures expected from the Finance Ministry. However, this stimulus may not fully offset economic pressures as China pursues its 5% annual growth target.

Some US businesses are already making moves in response, such as supply chains reacting to increasing tariffs imposed by the US. For example, shoe retailer Steve Madden plans to cut nearly half of its Chinese production within the next 12 months, and relocate production to other countries, including Cambodia, Vietnam, Mexico, and Brazil, rather than shifting operations back to the US, signaling a trend in supply chain diversification beyond China.

Yet not all is doom and gloom. Conversations with our clients on-ground illustrate optimism among executives of MNCs in China, with many remaining confident that business opportunities persist despite the prevailing headwinds. In fact, as the USCBC Member Survey reveals, less than 20% of respondents have relocated or plan to relocate certain operations outside of China.



For example, in the biotech and life sciences sector, China remains heavily reliant on Western companies for critical inputs and services. “To navigate this dependency, we’ve increased our investment and commitment to the China market while ensuring that these investments are visible to local and national governments,” a senior executive at a biotech and life sciences MNC said.

Furthermore, several businesses from the US, South Korea, and Germany attending the [China International Import Expo in November](#) showcased investments in AI and other digital technologies across their mainland supply chains. This optimism underscores a commitment to adapting supply chains and strategies rather than fully withdrawing from the China market. At the same time, they foresee that the global headquarters (HQs) of MNCs will adopt a more risk-averse, ROI-focused approach when evaluating investments in the Chinese market.

Increased spending on local firms

31% of respondents reported lost sales due to greater influence of nationalism on consumer decisions in China.



The increasing shift in Chinese consumer spending towards local firms, along with competitive pricing and product quality, is prompting MNCs to reconsider their premium positioning and adapt to shifting market expectations.



A leading executive in the FMCG sector noted,

“To achieve sustainable growth in new norms, we encourage innovation that can bring about effectiveness, directly impacting business performance. Local competition has huge competitive advantages because they are nimble and agile, pushing us to improve our learning agility and adaptability.”

A senior executive of a leading internet company in China explained:

“Finding the right category does not necessarily mean that you will win. You should be always stepping ahead of local competitors in terms of products. First-mover advantages with entry barriers built by cutting-edge technology and ruthless product innovation. If an MNC is not able to retain its speed to innovate, local competitors will exceed you and beat you.”

Strategizing for multi-market growth across APAC

The landscape in China is quickly becoming more unpredictable, and Trump's recent win at the 2024 elections has already shown some immediate impact with him vowing an additional 10 percent tariff on China. To mitigate risks, businesses are looking for opportunities to set up new APAC manufacturing hubs. Each APAC market offers unique growth trajectories. For instance, while infrastructure limitations still hinder rapid scalability, India is attracting more foreign investment. Its strength in service exports makes it in a great position to excel in the next wave of economic growth.

In Southeast Asia, markets like Vietnam and Thailand are gaining traction as manufacturing hubs, though they still lack the scale and speed of China. MNCs must carefully diversify their strategies across these promising yet uneven markets. Additionally, Southeast Asia and India are becoming primary destinations for companies looking to relocate supply chains, with a quarter of respondents in the USCBC Member Survey 2024 indicating that their companies are in a wait-and-see mode. This suggests that more companies may reconfigure supply chains if US-China relations continue to deteriorate.

Given the shifting dynamics in APAC, many MNCs are moving from single-hub models to multi-hub operations across ASEAN. The current landscape demands highly customized compliance and consumer engagement approaches across different markets. To achieve market growth, it's significant to combine local insights with a cohesive regional vision, managing the dual requirements of regulatory adherence and competitive positioning. The linchpin against this backdrop: **agile leadership teams**.



Building resilient talent in APAC and China

Over the past 10-15 years, China has largely been the primary growth driver for MNCs, with the rest of APAC playing a secondary role. However, looking ahead, MNCs may shift their focus toward a broader APAC strategy – one that points to China-based teams primarily focused on local projects, while teams in other locations will pool resources until those markets grow sufficient to support its independent operations.

As such, MNCs must foster innovation that boosts operational effectiveness and directly impacts performance; and one way would be for leaders in China and APAC to build agile teams – maximizing results with fewer resources from the global HQs. Leaders should focus on developing a more team-based approach, where specific parts of the team can pivot quickly and bring in specialized expertise as needed. This will allow for more agility and flexibility, including broader regional coverage.

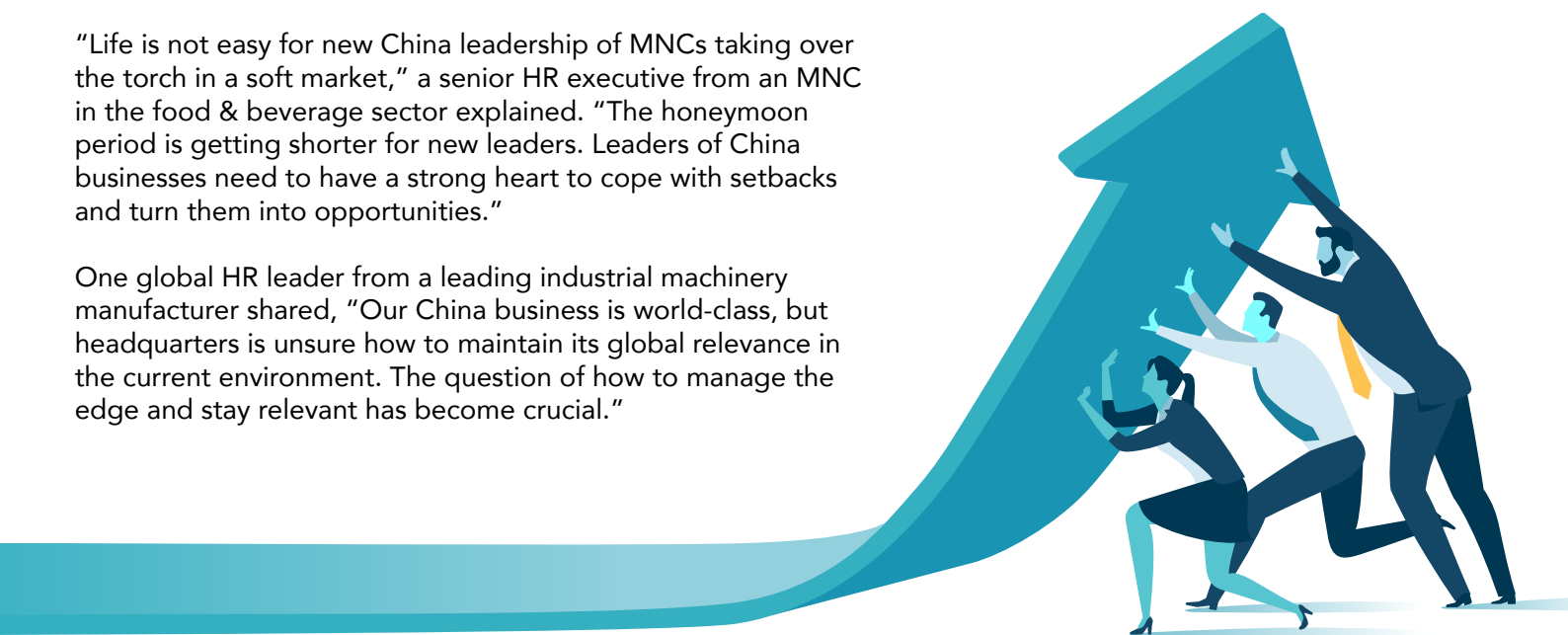
Leaders are increasingly expected to develop in-depth market knowledge within specific countries rather than transitioning across regions. With local expertise now critical, MNCs need succession frameworks to address tightening talent pools. Gaps in leadership or expertise could risk continuity, highlighting the importance of localized leadership development and internal talent cultivation.

Leaders for the “New China”

Facing tighter timelines and higher expectations from global HQs, leaders are required to have a high level of perseverance and learning agility to cope with the changing market. Building trust swiftly amidst geopolitical dynamics has become essential, as patience for growth is limited.

“Life is not easy for new China leadership of MNCs taking over the torch in a soft market,” a senior HR executive from an MNC in the food & beverage sector explained. “The honeymoon period is getting shorter for new leaders. Leaders of China businesses need to have a strong heart to cope with setbacks and turn them into opportunities.”

One global HR leader from a leading industrial machinery manufacturer shared, “Our China business is world-class, but headquarters is unsure how to maintain its global relevance in the current environment. The question of how to manage the edge and stay relevant has become crucial.”



With investment priorities shifting, China’s leadership of MNCs must balance local autonomy with alignment with global goals. Navigating regulatory and supply chain complexities, coupled with integrating talent into a global mix, requires a more agile and adaptable leadership approach.

The pressure to capture a greater share of the domestic market adds another layer of complexity, with rising costs and intense competition from local firms. In this environment, innovative strategies are necessary for maintaining competitiveness and relevance. Under a new market cycle, China leaders must adopt a sustainable growth mindset and be inclusive, thus helping their organizations de-risk in decision-making.





Leaders for APAC diversification

As the world has become less connected globally, the APAC market is becoming more sophisticated and independent. MNCs now seek and expect growth locally, recognizing APAC as more than a single entity and understanding the diversity and unique nuances of each country. APAC leaders must think beyond business operations to strategize and mobilize the 'resource & capabilities hubs' point of view, optimizing the output and minimizing the market risk.

In addition to being knowledgeable about both global trends and local cultural dynamics, leaders responsible for APAC diversification must adopt an ownership mindset. With local markets evolving rapidly, leaders face greater responsibilities for the outcomes. Hands-on leaders need to make timely decisions without waiting for the approval of global HQ to help mitigate risks and optimize business plans.

By adopting such a mindset, leaders across the APAC region can use their own judgement to diversify the market, improve efficiency, and drive growth effectively.

Assessing talent and market readiness in APAC

As US-based MNCs navigate APAC's shifting landscape and China's distinct market demands, resilience, adaptability, and tactical expertise become central to growth. Key questions to assess your organization's market readiness in APAC:

1

Is your leadership team equipped to handle APAC's regulatory, cultural, and economic complexities?

2

Are your strategies flexible enough to respond quickly to evolving local regulations, especially in data-driven and compliance-heavy sectors?

3

Does your team have the tactical creativity necessary for effective decision-making under uncertain conditions?

While China faces significant challenges, its sheer market size – both now and in the future – makes it impossible for business leaders to overlook. Its development and advancements in key areas, such as electronic vehicles, batteries, and solar energy, positions the market to make technological leaps that other markets may struggle to achieve. The global pressure to deliver low-cost products, whether in consumer or B2B sectors, continues to grow, yet companies will need to find creative ways to meet these demands.

Leaders who are adaptable, innovative, and strategically agile will have a competitive edge in APAC and China's complex landscape. By fostering strong, localized talent pipelines, investing in leadership development, and aligning with global strategic objectives, MNCs can position themselves for sustainable growth across the region.

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For more information, contact us

David Hui is a partner in the Hong Kong office, the regional managing partner of the Industrial Practice for Asia Pacific and the Middle East and the lead for the CEO & Board of Directors Practice in Hong Kong.
dhui@heidrick.com

Grace Gu is a partner in the Shanghai office, a member of the firm's global Consumer Markets Practice and lead for Heidrick Consulting in China.
ggu@heidrick.com

Julian Ha is a partner in the Washington, D.C. office, the global managing partner of the Legal, Risk, Compliance & Government Affairs Practice, and head of the Association Sector.
jha@heidrick.com