NAVIGATING the Deep SEA

Capital and companies are pouring into Southeast Asia. That means more attention for the region—and more competition. **SUNITHA CHALAM**, Head of Brunswick's Singapore office, reports.

ILLUSTRATION: ANTHONY RUSSO

It wasn't that long ago that, for a lot of multinationals, having an "Asia strategy" basically meant having a China strategy. Today, with COVID-19 and geopolitical tensions acting as two big nudges, global companies understand that they need to build a more holistic, resilient strategy for Asia. And any meaningful strategy for the region has to incorporate Southeast Asia, home to some of the world's fastest-growing economies and a gateway for two of the world's largest and most important markets: China and India.

ASEAN, a political union of 10 Southeast Asian countries, represents the world's fourth-largest market and is home to more than 662 million people—double the population of the US, and 50% larger than the EU. The region's long-term prospects are bright thanks to a number of powerful tailwinds: fast-growing populations, an emerging middle class that is increasingly digital and affluent, and major infrastructure projects across the region.

Researchers at Harvard predicted two of the fastest-growing economies until 2030 would be in Southeast Asia: Vietnam and Indonesia. Two of the other top five are China and India—countries whose importance is obvious, but they can also present challenges for companies trying to build a local presence. Meanwhile, ASEAN countries boast proximity to, and trade agreements with, both giants.

Hence all the focus, capital and companies flowing into Southeast Asia—and the growing competition for top talent, media attention and key relationships.

Take Singapore, where Western multinationals have long had a presence. Johnson & Johnson, Unilever, VF Corporation and Disney all have their regional headquarters in Singapore. You'll find pretty much every big tech company in Singapore as well: Apple, Amazon, Google, Meta, Microsoft, Netflix, to name a few. What's newer: Chinese companies recognizing Singapore as a springboard for their businesses. A number of factors are driving that, including that many sector-leading companies, facing limited headroom for domestic growth, are looking beyond China for new markets and opportunities. Singapore, given its cultural similarities with China, is seen as an easier option than other international markets—one that also boasts an international, skilled workforce.

Alibaba, ByteDance (owner of TikTok), Huawei and Tencent all have significant investments in Singapore and are adding more. Think of the premium that places on data centers and tech talent in a country as small as Singapore.

And it's not just Singapore. In just the last few years, the foreign direct investment flowing into Vietnam, for instance, has exploded, with major auto manufacturers and tech companies investing in partnerships there, while Indonesia has seen substantial investments in its supply chain to make electric vehicles—both the cars themselves and the batteries that power them.

Companies entering the region, or looking to expand their presence, would benefit from avoiding three mistakes that, in my experience, are particularly common in Southeast Asia.

The first is underestimating the region's complexity. Both Malaysia and Thailand are constitutional monarchies, for example, yet their governments, cultures and business environments don't have a great deal in common. Singapore is a small island with a highly centralized government, while Indonesia, which has 38 provinces across more than 17,000 islands, is much more decentralized.

The media landscape is similarly varied. Singapore's is the closest to a Western media environment. Top outlets publish in English and there's a strong international media presence. Yet Singapore's media coverage tends be more cautious than you see in the West, particularly around political, racial and religious issues. In Vietnam, a socialist republic led by a single party, the government's influence on the media is significant, while in the Philippines and Indonesia, many media outlets are privately owned by prominent family businesses with their own interests. Many countries have not only important national publications but also regional ones, and vernacular media is as important, if not more so, than English-language media.

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The second and third mistakes companies make relate to storytelling. They fail to tell the full story of the value they bring, and they fail to make their story locally relevant. The "ecosystem effect," let's call it, of a big, global company's presence in a Southeast Asian country can be significant. It not only brings investment and jobs, but can transfer technology, build roads and bridges, and be an important source of skills training. These benefits might seem so basic, even obvious, that companies can fail to appreciate their impact and assume local officials, journalists and residents are already aware of them.

In Southeast Asia, the social contract and sense of civic responsibility are ingrained. This goes beyond corporate strategy to a fundamental shift in thinking about the collective ("us") rather than the individual ("me"). In practice, this means even if an organization is creating wealth and jobs, it's important to demonstrate a social value contribution.

If organizations diminish the importance of sharing their local impact, they can also overestimate the local value of being a big, global company. Locals don't really care how many outlets you have in New York. The right engagement strategy begins by understanding what your key stakeholders are trying to achieve. What particular industries are local politicians trying to promote? A mayor worried about youth unemployment is likely more interested in a company's local internship program than its global net-zero strategy. A similar principle applies when approaching media. Demonstrating you understand what matters to people and that you're trying to help is sound advice for any market, yet companies seem to do that much more instinctively—and effectively—closer to home.

A number of the world's defining issues—the energy transition, supply-chain resilience, food security—are being played out in Southeast Asia with a distinctly regional twist. The journey to net zero looks vastly different in Indonesia than it does in Indiana, just as food security has a different face in Vietnam than in Vienna. Half of the world's top-10 rice-producing countries are in Southeast Asia. Given its strong manufacturing industry, many of the region's countries are where companies are turning to shore up their supply chains. And as the West calls for countries to accelerate their climate transition, for communities that depend on fossil fuels for access to electricity, the priorities are going to be different from those in the West.

Given Southeast Asia's growing economic and geopolitical importance, these are conversations for which companies need to prepare. ◆