



Overseas Business Management: Local Vs Expat – Is this the right question?

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In the last three years, growth of foreign expats working in Shanghai has declined to only about 1/10 the average annual growth of the last twelve years. Businesses are leaving and expats are being replaced by low-cost local staff alternatives. The inexperience of Chinese staff in dealing with economic headwinds is feeding the “local Vs. expat” debate these days, but the question has been the same for over a decade - “Is it better to have a local person, or expat, running my Chinese operations?”

We are asked this frequently by clients, but believe the better question is “Will this particular candidate (whether they be an Expat or not) go into the market, learn what is happening, and drive results.” Below are two real examples of success and failure:

At the Customer Site: A US industrial equipment rental business had been in China for almost a decade, and never been profitable. They sent over an employee from North Carolina that had never had a passport prior to moving to China. In the first year, he spent four out of five days a week in the field, crawling through customer construction sites to understand what equipment was being used, and how it was being used differently in China. The business was profitable in his second year.

The third year they replaced the expat with a local hire. I had dinner with this new hire who was clearly more interested in showing his friends his new company car than learning the business. The business declined, and lost money the following year.

Home – Car – Office – Home: A Midwest based industrial distributor sent over a number of managers to start up their China operations. These people were only interested in seeing the inside of their homes, their company cars and the office. They never went into the field to understand their customers, and ten years later, the business had neither made inroads into the market nor made money.



The landscape in China continues to change rapidly, even more so as the economy slows. The key to success is finding a manager engaged in understanding this change first hand, whether an expat or a local. We believe this, more than where the person is from, is the right question to ask.

Lancaster Management Consulting was founded to give on-the-ground support in Asia to small and medium-sized foreign enterprises that are: newly entering the market, in need of more resources and support, or that are in a distressed/turnaround situation. The author of this article, Alex Claypool, is the Managing Director and has started-up, turned around and grown businesses in the US, China, India, Japan, Singapore and Belgium for US Fortune 500 corporations and US private equity firm portfolio companies.

