

MNCs struggle to crack Asia-Pac pay puzzle

Cost no longer low as top execs cite region's potential to generate big bucks.

By Siow Li Sen



Kathryn Yap
Managing Partner, CTPartners
 in Europe or the Americas.

[Singapore] When it comes to hiring executives to run their businesses in the Asia-Pacific, many multinationals (MNCs) are left scratching their heads.

The size of their operations is still relatively small here and they have conventionally viewed the region as low-cost. But the top executives in their sights are now demanding – and getting – the same kind of pay that their colleagues command for the helming much bigger divisions

And this is posing internal challenges at some MNCs, said Kathryn Yap, Managing Partner of CTPartners, who was named one of the world's top 50 most influential headhunters by BusinessWeek magazine last month.

Two factors have changed the playing field: the region's enormous potential, and the fact that sophisticated and experienced business people are still in short supply.

"Asia-Pac traditionally has been thought of as a relatively low-cost global region, but the cost of doing business is not low anymore," said Ms. Yap.

Over the last few years, salaries for the most desirable senior management team members have risen 30 percent, she said.

She cites a typical scenario: One MNC client needs an executive to run the Asia-Pac unit which is generating US\$100 million in revenues for the corporation. The salary for that Asia-Pacific regional will need to be between US\$500,000 and US\$700,000 plus stock options.

"The client will express surprise. After all, that may be comparable to what the corporation pays the executive who runs the Americas

or the European division – divisions which might represent a much larger slice of the corporate revenues," Ms Yap said.

"The client might tell me: "I can't see the equity. How do I benchmark that internally?"

She knows of two MNCs that recently placed a new country manager. Both individuals are earning about US\$500,000 in salary, supervising a current revenue stream of perhaps US\$70 million."

Commanding these mega salaries is a small number of sophisticated and mature executives who can run business across borders, and they realize that the MNCs see Asia's potential as critical to their growth

Although Asia is not yet producing revenue streams comparable to those in the Americas or Europe, it is only a few years away. So candidates are pitching themselves in connection to that potential, she said.

A candidate will say to a prospective employer: "If you don't pay the right salary, you will not get the right person in Asia. And if you don't get the right person in position to manage Asia, the company may not achieve its revenue targets for the region."

Said Ms. Yap: "The candidates are negotiating based on the Asian revenue potential."

Asia does have a population of fairly sophisticated local leaders but these individuals traditionally might have studied overseas and then also spent part of their business careers overseas, she said.

In any case, this talent pool cannot keep up with demand because the Asian economics are growing so rapidly.

And exacerbating the problem is the fact that, as companies rapidly expand, some businesses are outgrowing their current executives, she said.

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"Asia is a very diverse region...we have come across incumbent executives who cannot manage the complexity and diversity that is now central to their role.

"They might be totally incapable of handling just the internal politics aspect of this newly expanded business. So this dynamic puts additional strain on the talent pool for savvy, experienced, CEO-level executives."

Kathryn Yap is Managing Partner, Asia Pacific Technology, Media & Telecom as well as the Managing Partner of the Singapore Office. Kathryn may be reached at +65.6622.9718 or kyap@ctnet.com.

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