



THE APAC IMPERATIVE

*Seven steps to business growth
in the global powerhouse*

A STRATEGY FOR SUCCESS

The Asia-Pacific region (APAC) has seen decades-long rapid economic growth which has gradually shifted the global economic balance of power. With its massive population and stabilising economic growth, APAC's potential and the power shift has been anticipated for a long term. However, the pace of change has happened faster than predicted, resulting in a dramatic and ongoing transformation of the business landscape.

Despite Swedish companies' success in the region, there is an increasing gap between the ambitions and strategies most of them have today, and the opportunities and challenges they will face over the next decade.

The sheer scale of the region (60% of global population, 35% of GDP, 50% of net growth, 40% of F500, 20% of Swedish global sales) makes it too large not to give it top priority, especially if you have growth initiatives beyond the current horizon.

But the big figures are just one part of the story, dramatic and rapid changes to demographics, economy, technology, climate, and geopolitics have redefined the business landscape. Swedish companies already in the region are not immune to the changing conditions, with the realisation that 'what got you here won't get you there' proving to be a stark reality.

This new business landscape is re-shaping not only APAC but is having a major impact on markets all over the world. While risks need to be navigated, companies need to take bold action and capture new opportunities. They must find ways to adapt and meet future challenges to stay or become competitive – to survive and thrive. At Business Sweden we call it *The APAC Imperative*.



ACT FOR SUCCESS IN APAC

It is impossible to provide specific recommendations that are valid both across the variety of industries and diverse APAC markets in which Swedish companies operate. However, Business Sweden has pin-pointed seven common denominators that companies should employ if they want reshaped strategies to deliver on bold new ambitions.

7 STEPS TO APAC SUCCESS

1 KNOW AND FOCUS ON YOUR “APAC MUST WINS”

The region’s diversity should not be underestimated, with maturity, scale, and growth vastly different across markets and segments. Consequently, strategic planning and implementation should take into consideration these differences. Clearly identifying and having clarity on your top three to five markets, segments, and other growth initiatives crucial for success is imperative. We call these the ‘APAC Must Wins’.

CONTROL QUESTIONS

- Have you identified your top three APAC markets or segments for short- and mid-term growth?
- Are the resources you have allocated to these key initiatives able to deliver on the requirements to deliver the full growth potential?

2 BUILD A REGIONAL STRATEGY

As APAC’s intraregional share of trade and investments increase and countries join forces in FTAs and become more integrated, regionally applied decision making is even more critical. These and other trends increasingly mean that to capture the full potential in APAC companies must have clear priorities for where to compete and strategies for how to do so locally, but also a regional perspective for how your own capabilities and partners across the region can complement each other. The risks of not having a local strategy have been further emphasised since the pandemic with supply chain disruptions, ongoing resilience challenges, and now redundancy becoming more common.

CONTROL QUESTIONS

- Have you identified the potential synergies for collaboration across the APAC region in areas including marketing, key account sales or supply chain and built the necessary capabilities to work across markets?
- Are you using the complementary aspects of various markets in APAC to offset risk and build resilience and diversification?

3 CHOOSE YOUR PARTNERS CAREFULLY

Choosing a local partner, distributor, or supplier, is often the first step taken by companies when establishing in a new market. The local partner route is typically taken to leverage local expertise and minimise costs and risk in setting up new ventures.

Entry into a new market should be the result of a strategic decision based on an objective market assessment, however this is not always the case. Often, the selection of partners occurs in reaction to proposals from potential local stakeholders. By shifting perspective and being market-led, rather than partner led, often results in better distribution because the systematic approach and assessment has identified the correct partners for your business objectives.

A common pattern among Swedish companies is to take a step back after the selection of partners and leave them to operate with minimal guidance. When strong expectations and boundaries are not implemented, the result is often poor performance. Companies that actively guide and support their local partners are rewarded with better performance. The local partner strategy is one of the critical go-to-market strategies. As your market realities change, your strategy should be reviewed and aligned accordingly. The continual assessment and adapting of local partners will support your sales strategy, acting as a catalyst for change before growth is negatively impacted.

CONTROL QUESTIONS

- Have you analysed which partner/s have the right capabilities to support your ongoing strategy?
- Have you identified gaps that need to be filled in your partner network?



4 EXPLORE INORGANIC GROWTH OPPORTUNITIES

As global economic activity has increasingly shifted toward APAC it is no surprise that there has also been a significant increase in the share of global M&A that takes place in the region.

For Swedish companies, M&A in APAC has primarily focused on market entry and scale deals, with a focus on establishing an initial footprint, building a customer base, and acquiring distribution partners for downstream integration. While this is an important and useful ongoing strategy in any region, in APAC, it is increasingly important for companies to acquire new capabilities. Entire new product lines more tailored to regional customer needs, emerging technologies and innovation solutions that can be scaled globally, or digital capabilities to accelerate digitalisation strategies are just a few of the new areas we see playing crucial roles in Swedish companies APAC strategies.

CONTROL QUESTIONS

- Does your business strategy consider opportunities for inorganic growth in APAC?
- Do you also approach M&A in APAC as way of both driving growth in the region and as a way to accelerate building new capabilities?

5 EMBRACE LOCAL INNOVATION AND ADAPTATIONS

As markets mature, it is natural that customers increasingly demand and expect products and services to meet their specific needs. Given the scale of many APAC markets and the presence of more sophisticated local competition this is quickly becoming not only an opportunity to differentiate, but a necessity.

Rapid technological innovation, in some instances leap-frogging the West, combined with a rapidly-growing talent pool is driving increasing numbers of companies to establish or expand R&D capabilities in the region.

Swedish companies need to both adapt products and services to local conditions, and take the lead in specific areas to take these to the global market.

CONTROL QUESTIONS

- Does your business strategy define and outline your objectives to establish or expand capabilities for local R&D in APAC?
- Is your organisation ready to partner up with customers and suppliers in the region to co-create better solutions?

6 LEVERAGE AN AMBITIOUS SUSTAINABILITY AGENDA

Sweden and Swedish companies have a deserved reputation for delivering sustainable solutions that meet and often exceed local and global climate goals, both in their own operations or how their products contribute to the global green transition.

While APAC has lagged behind in the sustainability agenda, today there is a clear trend shift and commitment to sustainability from both APAC governments and consumers. The concrete targets of carbon neutrality set by several countries in the region and the consumers' demand for action are creating new opportunities for Swedish companies that can play a key role in making these ambitions a reality. However, the fact remains that it will be a challenging transition and in general the countries' plan for net zero will lag behind the Swedish companies' targets. This means that companies that have a significant footprint in APAC, directly or indirectly through their supply chain, will need to act quickly and find new and creative solutions to succeed.

CONTROL QUESTIONS

- Does your business strategy consider the potential growth opportunities presented by the shift towards climate action in the region?
- Do you have an action plan for how to realise your own sustainability goals, such as emissions reductions, in your APAC operations in the short-mid term?



7 PREPARE FOR A CONTINUALLY EVOLVING BUSINESS LANDSCAPE

The APAC region holds immense potential and presents great opportunities for a large number of Swedish companies. However, massive challenges exist and there are several dark clouds on the horizon that could become critical issues in the coming years.

The ongoing relationship between the US and China continues to define the business landscape across APAC and Swedish companies should be aware of how it might and can impact on business. The development and repercussions of this will shape the APAC business landscape both in the short- and long-term and Swedish companies need to build strategies that will be resilient to the most turbulent outcomes.

The Business Sweden report [The Future, Now](#) (2020) explores the complexities of the geopolitical landscape and its influence on business and the crucial transformations and trends that will shape global business for the next decade.

CONTROL QUESTIONS

- Have you leveraged scenario planning to explore alternative predictions for market development and what actions to take if they come true?
- Do you know what actions to take today that will create more value – regardless of what external forces emerge? This might include building capabilities for agility and resilience to cope with turbulence.

As APAC continues its rapid change, it is imperative to understand what factors will influence business success. Our global teams across the region continually analyse and report on how Swedish companies can adapt to the changing business landscape and grow their market presence. Follow our insight series on *The APAC Imperative* to stay ahead in the world's fastest growing market.

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