

Introduction

China and India share three common features: They are huge in territorial area, heavily populated and have equally complex rules and regulations. Yet one must clearly understand that the way to go about doing business in these two countries is quite different, particularly in the consultancy business.

Hence understanding the details and complexities of the business environment in these countries would be the most important first step to take. First hand experience is obviously crucial for success.

To have some sense of magnitude on China & India, let us compare the following data with that of Singapore's:

	CHINA	INDIA	SINGAPORE
AREA	9,600,000 Sq km	3,290,000 Sq km	682 Sq km
POPULATION	1278 mil	1029 mil	4 mil
GDP Growth (2001)	7.3%	5.0%	(-2%)
GDP Size (2001)	US\$1160 bil	US\$447 bil	US\$88 bil
GDP Per Capita (2001)	US\$900	US\$440	US\$19,000
FDI (2001)	US\$ 47 bil	US\$ 27 bil	US\$ 3.8 bil

It is evident that China, which is a whopping 14 000 times the size of Singapore, has a 2001 GDP of only 13 times that of ours. Similarly, for a country like India, its 4 800-times size of Singapore is matched only by a 2001 GDP of 5 times.

If we compare the GDP per Capita data, we will notice that Singapore is 21-fold that of China and 43-fold of India.

Can one imagine then, a situation where China and India's GDPs both grow to the proportionate size that of Singapore's GDP? How much business would they generate and how many development projects would there be? The opportunities in these two countries are simply enormous!

Setting Up Design Enterprises

Like I mentioned earlier, the rules and regulations in these countries pertaining to doing business are rather complex. Just in the area of consultancy services, there are many governing regulations.

To cite one example, most of us know that design drawings in China are required to be signed by qualified Design Institutes and not individuals. Yet, the designers in that Design Institute need to have qualified personnel to prepare the design. On the other hand, design drawings in India could be either signed by consultancy firms or the qualified personnel.

The engineering design business in China was not fully opened until very recently. To be exact, the latest Regulation governing foreign invested design enterprises in China was only made public on 27 Sep last year and became effective on 1 December the same year. This Regulation ties closely with existing regulations governing the qualification of domestic design enterprises.

The qualifying criteria for a domestic design enterprise comprises the following aspects:

- a. Track records and financial strength
- b. Technical capabilities
- c. Expertise level
- d. Applied technology
- e. Management expertise
- f. Business excellence

From these broad categories, I have extracted the key criteria for the various grades of design enterprises as shown in this table:

Item	Grade A	Grade B	Grade C
Legal Corporation	Yes	Yes	Yes
Registered Cap (RMB)	6 mil	2 mil	0.8 mil
Track Record	15 yrs	10 yrs	6 yrs
Size of Technical Staff	80	30	15
Registered Experts	2 Gr I Arch 4 Gr I Engr	1 Gr I Arch 2 Gr I Engr	2 Gr II Arch 4 Gr II Engr
Business Territory	Nation-wide	Nation-wide	Limited to location of reg.

Similarly, there is a qualification requirement for those enterprises that are conducting the 'JIAN-LI' business. In direct translation, 'Jian-Li' means supervision. The China Regulations require the project supervision to be conducted by a third party and not the same designer nor contractor. The following table shows the grading requirements of the 'Jian-Li' enterprises.

Item	Grade A	Grade B	Grade C
CEO's experience	15 yrs	10 yrs	8 yrs
CTO's registration as Jian-Li Engineer	Yes	Yes	Yes
No. of Jian-Li engineers	25	15	5
Supervising Project	Type I,II & III	Type I & II	Type III only

Foreign Corporations are now permitted to invest in a Chinese design enterprise, provided that the corporation itself is a licensed corporation in its own country. The investment could be wholly owned or in the form of equity joint venture or corporative joint venture. The Regulations also require the investing owner to be either a registered architect or a registered engineer.

The Regulations also spelt out the approving authority for the various grades of design enterprises. The approving agencies are the MOFTEC & Ministry of Construction.

For a newly registered design enterprise, the highest starting grade is normally Grade B. An enterprise could hold such a grade for two years before applying for upgrading. At the same time, there are rules on the ratio of practicing foreign expatriates to locals and their tenure of residence etc.

The regulations governing the setting of consultancy firms in India is relatively simpler. As we understand, there is no separate law governing foreign invested consultancy companies. Currently, all foreign investments have to be routed through the Foreign Investment Promotion Board.

In India, there is no grading of consultant firms as well as territory practice restriction. And interestingly enough, both the consultant company and its qualified staff would be able to sign design drawings.

Dealing With Clients

Having understood the basic *modus operandi* of the consulting business in these two countries, the next most essential component is to understand our clients and learn how to deal with them. In China, the client base could come from a wide gamut as follows:

- a. Government at all levels
- b. State-owned enterprises
- c. Research institutions and universities
- d. Multinational Corporations
- e. Private entrepreneurs

Provincial, city or district governments normally practice an open tender system when they require the services of consultants. Under such circumstances, one would not know his competitors and chances of winning a contract outright are normally slim. However, many administrations practice different modes of contracting too, depending on various circumstances. These modes include:

- a. Pre-qualifying rounds before open bids
- b. Close invitations
- c. Direct invitation and negotiation
- d. Design competitions

When an Administration organizes a design competition, it is normally open to international competitors. Each participant would be given a certain fixed honorarium and the winner or winners would be further awarded with monetary prizes.

However, one must understand that winning a competition does not automatically imply winning the job and the contract. Often, one finds that the Administration would pick up the best features of the various submissions and award a direct contract to a local Design Institute to complete the plan or the design.

What we need to observe in securing governmental deal is to clearly understand what the Administration wants of you. There could be many factors such as track records, including overseas project experiences, the company's planning capabilities and resources; the brand name etc. In many other instances, the local Administration may be looking for a G-to-G assistance, and assistance in terms of marketing and operations. Over and above all these, price is a key consideration.

One other non-replaceable item is personal working relations. As Consultants, we are looking for deals. Direct contact is of paramount importance. Hence if the person who is seeking China business but is not able to converse in fluent mandarin and has to resort to a translator all the time, this would impose serious obstacles in the building of relationship, or *guanxi*.

So what should a Singaporean consultant do in the course of business, to improve our chances of success? I believe these are the important components:

- a. Understanding the client's preferences
Preferences might include the level of sophistication of plans, searching for partners, what not to have etc.
- b. Cultivating good working relationship at all levels
This is the most crucial part of the business.
- c. Possessing thorough local planning knowledge
This is where local partnership or long term local presence becomes so important
- d. Offering the full spectrum of services where possible
By being able to offer the full services, ranging from master planning, to architectural design, civil, structural & M&E services, the client would appreciate the one-stop service efficiency that we bring to the project.
- e. Seeking out internal leads
Possessing internal knowledge would always be an added advantage.
- f. Offering honest advice prior to contract
Clients often value such honest advice, like the scale of development they should invest, how to phase in the development etc.

In addition, the multi-national corporations often invite bids with very short notice and extremely tight design and construction schedules. Almost all prefer the full technical services and emphasize very much on quality of design and services. Consultants who possess good on-site project management capabilities would have an added advantage. Hence a consortium approach to such a deal is the most preferred option.

In the India consultancy business environment, the situation is similar but with a slight difference. The consultancy tenders offered by the Indian government are also open and transparent international bids. However, the selection procedure is normally by way of a scoring system, besides the prices. Such scoring system would take into consideration the design capabilities and track record of the consultants, the superiority of the preliminary design and last but not least, the CVs of the design team.

Many administrations in India believe that a foreign brand would add prestige in marketing their projects. Thus Singaporean consultants should be skilful in leveraging their brand and track records when seeking out deals. There are also administrations that require the successful consultants to become equity partners in the project. In such cases, if one decides to continue participating, then he has to carefully plan that a proper exit route is provided for in the contract.

There is also another special client base in India called the Non-residential Indians or NRI in short. NRI clients are characterized by the following:

- a. They are connected via a strong network
- b. They normally use Agents in pushing the development projects
- c. They have strong sources of external funding

Hence in seeking for deals in India, one has to have sound local connections and a good network of agents. Many private deals are struck by way of negotiations and paying commissions. It is also good to partner local consultancy firms that have good capabilities and track records. Once again a foreign-local consortium approach is always preferred.

Striking Effective Alliances

I keep emphasizing on consortium approach, so how shall we go about striking effective alliances, in the host country as well as in Singapore?

As we know, the domestic design enterprises in China are commonly referred to as Design Institutions or DI's in short. Majority of such DI's are set up by state-owned enterprises. And quite often, they are set up for the purpose of doing their own projects and their business licenses are confined to a special province or city. Hence the quality, experience and technical capability level varies widely.

In seeking an effective alliance with local DI's, Singaporean consultant firms should be mindful of the following factors:

- a. The grading and business boundary of the DI's
- b. Their detailed technical capabilities
- c. The company's state of financial health
- d. The qualifications, capabilities and personal connections of the CEO & CTO
- e. Their relationship with the state, provincial or city governments
- f. The value-add factors that both sides can contribute

Given the latest regulations, the alliances can now be struck at different levels from sub-letting, to joint operations or joint ventures. Understanding each other's strengths and weaknesses, needs and inspiration, is crucial to a sustained relationship.

Most importantly, the personal relationship forged over the years between the CEOs and management members is the key to long-term success. Such personal relationships are invariably based on sincerity & mutual trust.

Competitiveness is obviously the key issue is winning a deal. An effective alliance with local DIs would result in savings in the cost of manpower and materials, rendering the deal to be more competitive.

I have concluded earlier that for Singapore consultants to seek out opportunities early, one has to be on the ground and not by way of remote sensing. In this regard, there are two other approaches besides teaming up with local DIs. The first approach is to form a consortium representative office in the host country, China or India. The contribution by each consortium member could be by way of cash injection or personnel posting. Such a representative office would conduct business development activities within the defined boundaries. When a deal is struck, the consultancy contract could be structured as a joint operation or project joint venture.

The second approach is to form a joint venture design enterprise, registered in the host country. Besides having qualified Singaporeans stationed there, local expert staff could also be employed for business development and proper design business. Both approaches can also make full use of assistance schemes that are currently offered by the International Enterprise of Singapore or the Building & Construction Authority.

Conclusion

In conclusion, I believe that when venturing abroad, Singapore consultants should consider carefully the following factors:

- a. Be prepared to invest time and money in these countries
- b. Be on the ground and understand the local environment thoroughly.
- c. Adopt a consortium approach and offer multi-disciplinary services.
- d. Avoid pit falls, do not rush in to sign contracts without detailed due diligence
- e. Offer our innovative Singapore value-add
- f. Price your services correctly and
- g. Establish plenty of goodwill for relationship-building

I hope the above information and shared experience would enhance our chances of winning consultancy deals in China and India. We must forge as a TEAM.