

RULES OF ENGAGEMENT

Jason Lee, founder of Singapore-based Lixin International, tells *Accounting and Business* why doing business in China is easy when you know how

For some, China is a lucrative market that offers tremendous possibilities for growth. But for others, making it big in China is a pipedream. The country's highly complex nature means there are as many pitfalls as opportunities for the uninitiated and a company needs deep pockets to survive.

One company that has succeeded is Lixin International, a Singapore-based certified public accounting firm, which serves Singaporean businesses operating in China. Founder Jason Lee FCCA ventured into China after realising that Singapore's SME market offered limited growth opportunities. And his vision proved right as five years on from establishing his firm in 2004, annual growth has exceeded 40%, despite the current economic downturn. 'We have even seen growth in the past five months,' he says. 'China offers hope for sure, but you need to be vigilant because of

cultural differences and expectation gaps. You need to constantly reassess your position and continue to nurture relationships with Chinese partners.'

Lee heard many stories of Singaporean companies struggling to survive in China. 'One of my clients spent 17 years in China before starting to make a profit, while another is still at the entertaining stage after three years running his business there.'

Building relationships

While the challenges facing Singaporean companies are not unique to them, Lee realised he could play an instrumental role in helping his clients operate more effectively in China.

'I started building the idea that the quickest way to help my clients learn is to be the bridge between them [my clients] and the relevant parties in China. You have to understand that in order to build that trust in China, one needs to first build *guanxi* [relationships],' he says.

The Chinese way of doing business through building relationships is nothing new. It is a drawn-out process that involves endless rounds of dinners and lunches, during which many important business deals are discussed and sealed.

However, Singaporeans' tendency to be forthright and to do things 'by the book' can become obstacles rather than virtues when operating in an environment fraught with capricious systems and unwritten rules juxtaposed with a labyrinth of yet more rules and regulations.

Lee recognised that if he could join forces with an established mainland

* WHAT ACCA DID FOR ME

Lee, who was a technician in mechanical engineering before embarking on an auditing career, believes that ACCA has helped him in his career immeasurably. 'ACCA was the highest qualification I had to obtain in order to become a certified public accountant in Singapore. Over the years, ACCA as an organisation has provided me with a lot of support,' he says.

* HOW TO DO BUSINESS IN CHINA

- * Hire professional services. Whether financial or legal, these can go a long way. Rather than trying to save money on professional services, thinking you can leverage on local contacts, see the former as a worthwhile investment. Otherwise, you may end up with nothing.
- * Bring your corporate culture, specifically, corporate governance

and your success model to China. Adhere to professional standards and do not be influenced by local malpractices.

- * Understand Chinese culture. Don't think you know better. Go with the mentality that you are there to work with them and exchange knowledge, while staying focused at all times on what you want to do in China.

- * Avoid being too ambitious. Always start small and test the waters gradually. Do not throw in money at one go, even if the operating costs are generally lower.
- * Accept that drinking and dining are part of business protocol. If you say you do not drink or avoid business lunches or dinners, you have already lost half of the battle.

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Chinese CPA firm – one which already had strong relationships with the local business community and government authorities – it would benefit his clients greatly.

In 2004, Lee's firm became a member of Beijing-based firm Zhong Tian Hua Zheng (ZTHZ) and he registered his business Zhong Tian Hua Zheng International. ZTHZ later merged with Lixin, becoming the largest CPA firm in China after the Big Four. In 2008, Lee renamed his business Lixin International.

Lee prefers to describe the relationship with the Beijing business as a 'buddy system' – an arrangement that involves client referrals, an exchange of technical knowledge and industry best practice, and the creation of a Singapore desk in the Beijing office.

'The team in Beijing can now offer professional services to my Singaporean clients operating in China, without the direct involvement of my Singapore team. It is also a cost-saving arrangement for clients,' Lee says.

Lee says that with Lixin International as the first contact point, clients can

cut to the chase without going through the laborious process of entertaining different parties critical to any new foreign business setup in China. It provides them with the basic knowledge of setting up a business and the various pros and cons. The buddy system also ensures that Lixin International will be given first priority to serve Beijing's clients looking to establish businesses in Singapore, Lee explains.

A solid footing

It is through such a relationship that Lee hopes his practice will gain further foothold in China. 'As China expands and Chinese enterprises globalise, I hope they will use Singapore as a springboard to grow their operations. It will be a strategic move for them and a win-win situation for the firm in Singapore and in Beijing,' he says.

And Lee's efforts have certainly paid off – and not just in China – far exceeding expectations. He is now attracting clients from Hong Kong, Indonesia and the US.

Currently, 80% of his clients are Singapore-based multinational

corporations operating across the region and that clientele base is expanding.

The challenges notwithstanding, Lee believes he has an advantage over his competitors, many of which have 'loose arrangements' with their Chinese counterparts. Such loose arrangements, he says, do not unilaterally promote the relationships.

While relieved to have overcome the initial hurdles, Lee is not resting on his laurels. He is aware that any *guanxi* is vulnerable and can be easily broken. 'I am still nurturing the buddy system, so I am always vigilant,' he concedes.

The speed at which China develops and its people learn reflects the highly evolving nature of the market. But Lee says he doesn't feel threatened.

'China has adopted international accounting standards, and the Beijing firm has gained exposure and knowledge. What I need to do is ensure that my Singapore team and I continue to improve and remain relevant,' says Lee.

Patricia Lee, journalist