

# JOURNEY TO SUCCESS

## Risk management essential for internationalisation

Singapore firms have, for some time, been encouraged to venture into foreign markets. The Singapore government has come a long way in encouraging international business expansion - overseas revenue is making up a significant proportion of companies' total revenue; 53% for SMEs and 40% for large enterprises<sup>1</sup>.

**Why go international?** When companies are asked this question, typical responses include home market saturation and growth slowdown, cost reduction and risk diversification. These responses are expected in Singapore's context, given the small size of our domestic market, high labour costs and the increasingly challenging economic environment. To achieve sustained business growth in the medium to long-run, internationalisation is becoming less of a choice and more of a need. Hence, for Singapore companies, the pragmatic answer to the above question would likely be "to survive".

Certainly, it would be more ideal for Singapore businesses to take a more proactive stance towards internationalisation, and not have the main impetus be a reaction to Singapore's economic circumstances or size. Some examples of pull, rather than push,

factors for companies to venture abroad are the desire to acquire new skills and technologies, achieve economies of scale and tap into burgeoning market opportunities. Whatever the motivation may be, the decision to internationalise is only the first step in a long, complex process. Thereafter, more decisions such as which markets to enter, with what strategy and what type of structure, will need to be answered.

**How to go?** There are a variety of ways companies can take their business abroad, including exporting, licensing, joint ventures, strategic alliances, acquisitions and green field investment. Which option(s) to choose depend on an organisation's commercial rationale for the move, risk appetite, desired level of control, resource availability, market familiarity and regulations surrounding foreign ownership and/or investment, among others.



Internationalisation not only presents new opportunities for survival, growth and learning, it also injects diversity of culture, thought and talent into a company. Needless to say, forays into foreign markets are fraught with difficulties and risks. Political risks, difficulties in sourcing for suitable overseas partners, uncertainty of payment collection, inability to understand and adapt to local business

**Where to go?** The current economic giant - China - and the emerging economic powerhouse - ASEAN - may perhaps be obvious choices for business and investment, although political and regulatory risks abound for businesses and investors. In IE Singapore's 2016 Internationalisation Survey of 700 companies, China, Myanmar and Vietnam emerged as the top picks for 2017. SMEs showed renewed interest in Vietnam and India while large enterprises were keen to expand into US and UK.

customs, changing and onerous regulatory requirements, intensity of competition in foreign markets, to name a few. While these concerns are valid and the risks real, accurate identification of risks and a robust risk management strategy will go a long way in helping a company manage the risks associated with internationalisation and position it for success. Cultural sensitivity, adaptability, a high tolerance for ambiguity and above all, tenacity, are also crucial for successful expansion overseas.

<sup>1</sup> Based on IE Singapore's 2016 Internationalisation Survey

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# Oxley

## Building on partnerships

In mid-2009, Mr Ching Chiat Kwong, Executive Chairman and CEO, Mr Eric Low See Ching, Deputy CEO and Executive Director and substantial shareholder Mr Tee Wee Sien, decided to jointly-develop properties. Oxley Holdings Limited (“Oxley”) was listed in 2010 on the Singapore Exchange Catalyst, and subsequently upgraded to the Mainboard in 2013. In 2014, the Group further expanded its property development portfolio into other countries through partnerships with reputable developers and business partners.

From one of the pioneer developers of shoebox apartments in Singapore, Oxley has soared and become a developer of and investor in industrial, hospitality and commercial properties internationally. It is now a vibrant company with a presence in ten countries. Currently, the Group manages property development projects in Singapore, UK, Cambodia and Indonesia, to name a few. It also has investment projects in countries such as Cambodia, Japan, and Malaysia, and provides project management and consultancy services in Myanmar.

Oxley decided to take a bold step forward to venture overseas in 2014, amidst numerous rounds of property cooling measures introduced by the Singapore government since 2009. UK was the first foreign market Oxley decided to venture into, mainly because it had confidence in the country’s rule of law. Despite others casting doubt on their ability to succeed in a developed market without prior overseas experience, Oxley proved its detractors otherwise.

## Leveraging local partnerships

For businesses to grow, risk-taking is inevitable. What did Oxley do to manage its risks while internationalising? From Eric’s point of view, risk management is about “doing one’s homework” via due diligence and finding ways to mitigate risks instead of shying away from the unknown. To reduce the risks associated with new market entry, such as regulatory and operational risks, Oxley forms joint ventures and strategic alliances with local partners. Such partnerships provide Oxley with opportunities to learn from partners who possess the relevant experience and expertise in regulatory matters, construction standards, etc., and access to the partners’ local network of customers, suppliers and other business contacts. Hence, forging strong relationships with local players is vital to Oxley’s overseas success.

Oxley prefers to work with partners that its friends and business associates have had dealings with before. This enables Oxley to gather feedback on potential partners’ business ethics and integrity. For potential partners unfamiliar to Oxley, up to one to two years can be spent on gaining a fuller understanding of them before Oxley decides to partner with them. Eric shared, “For us, finding the right partner(s) is one of the most important aspects of investing in foreign countries, especially in emerging markets.” While a company may not have all the knowledge or know-how when entering a new market, the company can work with local partners and leverage its partners’ strengths.

This was why a partnership between Oxley and Ballymore, a veteran developer in the UK, was forged in March 2014. Being new to the UK market, Oxley recognised that it would be an unknown name to the locals in UK, which would make it difficult to attract them as property buyers. Thus, having a well-known and reputable local partner in UK was key to enabling Oxley to attract local buyers while allowing the company to gain familiarity with the local market and the trust of buyers over time. Ballymore had been selling homes in London for over 20 years and was able to provide much-valued local insight and strong brand recognition.

Oxley also believes in making sure its products suit the needs of the locals and will not end up as a white elephant. It believes in having a well-balanced group of purchasers, with the majority being local to avoid excessive foreign speculation and to reduce settlement risks<sup>1</sup>.

Another example of how Oxley collaborates with local partners to minimise risks relates to land ownership in emerging markets. Oxley is particularly careful about land ownership in these markets and usually requests that its local partner owns the land for its first development to mitigate political and regulatory risks. A local partner with a good understanding of the regulatory requirements would be better equipped to handle complications relating to land title, requisite government approval for land acquisitions, changes in land use and lease laws, etc. To bring value to the partnership, Oxley provides its experience and skill sets in building and selling properties.

<sup>1</sup> Settlement risk is the risk that one party will fail to deliver the terms of a contract with another party at the time of settlement.





Dublin Landings is a mixed-use development situated on a 2.35 hectare site along Dublin's North Wall Quay





A case in point was Oxley's first foray into the Cambodian market, where Oxley had a joint-venture with Cambodia-based Worldbridge Land (Cambodia) Co., Ltd. Located at the heart of Phnom Penh, a 45-storey-tall building known as The Bridge was built swiftly. A fast turnaround time in selling and building properties is essential in a fast-changing environment, as it reduces settlement risks.

Oxley brought in a strong core project team from Singapore to manage the project. Eric highlighted, "In emerging markets, the Singapore brand name, strong project management and quality standards are better appreciated. We know what is required and what is desired in the prime segment of emerging markets."

## Gaining understanding of overseas markets

When considering which overseas market to venture into, Oxley will consider whether the overseas market's practice fits into its overall strategy. For example, Oxley is always concerned about settlement risk and places an emphasis on the timing and ability of projects to generate strong cashflow, to plough back into the company. Hence, Oxley decided not to enter Australia's property market when it realised that only a customary 10% down payment was required for property purchases, which Oxley felt was relatively low. Buyers could easily walk away from the purchase and forfeit their down payment. Furthermore, the down payment received would have to be placed in an escrow account, which would limit Oxley's ability to utilise the cashflow effectively.

As Oxley has a presence in various countries, if the laws and regulations in those countries tighten or change, Oxley's ability to repatriate overseas operations profits may be affected. Accordingly, Oxley's cash flow would be adversely affected. To manage such repatriation risks, Oxley engages tax consultants to provide the necessary advice.

For Oxley's UK venture, Eric proactively mingled with people well-acquainted with market conditions in London to quickly get up to speed. He highlighted the importance of interacting with people in the industry, such as property agents, and also worked with overseas consultants. The close relationship that he forged with those in the industry enabled him to get on the ground market feedback which in turn, provided him with a better understanding of the market's demands.

Eric reiterated the importance of relationships when asked about the essential things Singapore companies should take note of when intending to internationalise. There should be complementary skill sets between the partners. Universal business principles like fairness, treating people with respect and trying to understand others are also important. He also stressed the need for cultural sensitivity when Singapore companies venture overseas, to establish sustainable partnerships in overseas markets.



*The Royal Wharf, a stunning new waterfront development in London, comprising apartments, townhouses, office space, retail and F&B spaces*





*Savour the delectable barramundi and clams*

# Kühlbarra

Making fish business less fishy

Who would have thought that Singapore has large fish farms the size of ten football fields? In fact, Andrew Kwan, group managing director of the Singapore-owned investment holding Commonwealth Capital, wants to be the world's largest producer of quality barramundi fish, also known as Kühlbarra to its discerning customers, or *Lates calcarifer*, the scientific name of the species.

He is well on track to becoming so. Commonwealth Capital is the majority owner of Barramundi Asia, which farms the fish. Barramundi Asia currently has the ability to produce 700 tonnes of barramundi, which places it among the largest producers of barramundi in the world. With a biomass growth that is compounding at 10-11% per month, its mid-term goal is to produce 6,000 tonnes of barramundi a year.

Known in Singapore for the consumer brands under its portfolio like PastaMania, Kraftwich by SwissBake, The Soup Spoon and Udders Ice Cream, Commonwealth Capital's vibrant chief launched the Kühlbarra brand in January 2015. Kühlbarra now supplies air-flown chilled barramundi to premium restaurants in the United States, Australia and Hong Kong, in addition to well-regarded food groups and celebrity chef restaurants in Singapore.



Barramundi Asia's managing director is Joep Staarman, whom Andrew dubs the "Steve Jobs of the aquaculture industry", in recognition of Joep's illustrious standing in the fish business globally.

The Dutchman had been the Asia Pacific managing director of Marine Harvest, the world's largest aquaculture company, and was based in Singapore. After leaving the company in 2007, Joep set up a fish farm here which became Barramundi Asia.

Joep's venture with Commonwealth Capital began through a chance connection. Joep got to know David Goh, an independent director at Commonwealth Capital, through their daughters who attended the same international school. David, in turn, introduced Joep and his barramundi farm to Andrew, who found Barramundi Asia to be a very promising business to invest in.

While such was the birth of Joep's and Andrew's partnership, the building up of Kühlbarra's business was hardly left to chance. Hard work and careful considerations were the order of the day.

Kühlbarra's barramundi, which are fed with daily doses of fish oils, are a good source of heart-healthy omega-3 fats. Moreover, Kühlbarra's barramundi are grown in the sea, where the fish can enjoy a constant supply of oxygen-rich water. Fish grown in fresh water retains an earthy, muddy taste when cooked – the kind of taste that dissuades many consumers from eating freshwater fish.

While the notion of fish farms in land-scarce Singapore might seem an oddity, as alluded to at the outset of this article, Singapore is actually an ideal place to farm barramundi, as Joep has pointed out.

"We had the barramundi farms in Australia and noticed that it isn't the optimal place to grow this fish", said Joep, in reference to previous ventures in his career. "Four months out of the year, the temperature is too low and the fish don't grow. In Singapore, the temperature is the same all year round and there are no natural disasters like typhoons or tsunamis".<sup>2</sup>

Barramundi Asia's two farm sites, consisting of large sea-cage enclosures in the open seas in the south of Singapore, occupy a total of 19.5 hectares. Both are situated near the iconic Raffles Lighthouse, which stands on Pulau Satumu.

Additionally, Barramundi Asia adopts industry-leading farming practices, largely based on European standards and philosophies of sustainability and traceability. It believes in the breeding of barramundi through natural selection, and feeds superior feed to its fish. It is the first European Union-certified fish farm in Southeast Asia, which means that it is the only fish farm in the region to be able to export to Europe. All of this makes Kühlbarra's fish accessible to a wider range of consumers – and food regulators – internationally.

## Branding for an international market of consumers

Given Andrew's and Joep's ambitions for their venture to scale new heights internationally, it was crucial that they got the branding right. Their team settled on the name Kühlbarra, which means "cool barramundi" (kühl being German for cool), which went through extensive branding exercises to ensure the name was meaningful, sticky, 'trade-markable' and culturally sensitive (not offensive sounding) in all key languages.

They had the brand properly trademarked and registered from the get-go, which is the recommended protocol to minimise the risks of "copycats and counterfeits".

They have also considered how to address the risks of the sequestration of trademarks by foreign bodies. For example, French authorities are particularly protective of the geographical indication of champagne, which it defines as a sparkling wine made according to the traditional method from grapes grown in the Champagne region of France. The fraudulent use of such a protected geographical indication in France carries a fine and even a jail term.

Eva Lim, head of global marketing at Kühlbarra, wants to make Kühlbarra synonymous with super premium quality barramundi, much like how Kobe beef has become synonymous with arguably the highest quality meat, and Iranian Beluga fish which reputedly produces the highest grade caviar in the world. The difference is Kühlbarra will still be accessible to most consumers.

As barramundi is an Australian aboriginal term meaning 'big scaled fish', Eva's branding endeavours will pre-empt the potential risks of an Australian court one day ruling that only Australian farms are entitled to market their product as barramundi. Already, there are some producers who are pushing for such a ruling.

In such a scenario, customers would still be able to recognise the Kühlbarra name in the market.

## "Farm to fork", for international markets

Kühlbarra prizes its "farm to fork" model of selling its fish, where an online order of fish goes directly from the sea to one's doorstep. It allows the consumers to know where their fish is from, what goes into the fish that they are eating and whether there is an exacting cold chain process from farm to fork. This presents what Andrew calls a disruptive model to the whole business of selling premium fish.

Kühlbarra's barramundi are air flown to Australia and Hong Kong, and it even supplies to restaurant groups in cities as far away as Los Angeles and Boston. In this regard, Kühlbarra benefited from Joep's network of customers in the international aquaculture industry.

Kühlbarra's competitive advantage also lies in its proprietary knowledge of delivering its product fresh. Time and processes are of essence here to ensure an unbroken cold chain. Within two minutes of harvesting the barramundi out of the waters in its farms, they are transferred from a sea water environment of 28

<sup>2</sup> 8 Days, "Discover why Singapore is great for Farming Barramundi," 31 August 2017





*Barramundi are transferred to a bin of ice slurry within two minutes of harvesting for optimal freshness*

degrees celsius to a bin of ice slurry where the temperature is between 1 to 4 degrees celsius. The fish go to sleep. They are then scaled, filleted and vacuum-packed in a temperature-controlled facility before being whisked to the consumer.

### Looking forward

Recently, Barramundi Asia has been evaluating opportunities to set up additional fish farms in the region.

Some of the sites available are significantly larger than those in Singapore. Having additional overseas farm sites would help Kühlbarra in mitigating concentration risks and, more importantly, allow it to march towards its vision of being a global champion for premium white fish.

While considering the opportunities for expanding Barramundi Asia, Andrew and Joep would be weighing country risks, cultural differences and the implications of growing their fish stocks outside the jurisdiction of Singapore, where they are currently based.

If Barramundi Asia were to expand even further, we cannot resist concluding with this idiomatic sobriquet – Barramundi Asia is becoming much more than a big fish in a small pond.



*Daily feeding of Barramundi with fish oil*



# Surbana Jurong

## Focusing on core values

Surbana Jurong Private Limited ("SJ") is presently one of the largest Asia-based urban, industrial and infrastructure consulting firms. This is no mean feat for a company which started locally in the development of Singapore's urban landscape. Leveraging technology and creativity, SJ provides one-stop consultancy solutions across the entire value chain of the urbanisation, industrialisation and infrastructure domains.

Mr Wong Heang Fine, Group CEO of SJ shared, "Shareholders do not pay you for administering a company. They pay you for managing a company." This would entail identifying and mitigating risks, while making a commercial call. He shared that size is necessary for SJ to compete globally. Apart from growing organically, SJ also accelerates its overseas growth through acquisitions and partnerships such as joint ventures. As a reflection of Heang Fine's astute business sense, SJ is selective about its acquisitions and considers only those which complement SJ in terms of network and capabilities.

In 2016, SJ acquired world-renowned infrastructure engineering consultancy SMEC Holdings to expand its capabilities and gain a strong foothold in the infrastructure sector outside Singapore. Further, SJ acquired AETOS Holdings, thus expanding its overall service offerings to include security capabilities and advisory. With their latest acquisitions, the SJ Group now has a global workforce of 13,000 employees in 113 offices across 44 countries in Asia, Australia, the Middle East, Africa and the Americas, with an annual turnover of around S\$1.3 billion.<sup>3</sup>

## Bridging cultural differences

With operations spanning across the globe, Heang Fine saw the need to build up a reliable talent pool for each of its overseas markets for practical business reasons. The primary talent pool could come from people whom SJ has trained in Singapore and returned to their home countries, or locals in those markets. Having a local workforce which understands the environment and culture can help a business to thrive. They will have a better understanding of local laws, regulations, customs and the competitive landscape. Moreover, local connections, native language skills and cultural understanding can boost international business development exponentially. At the same time, having a local workforce, compared to simply a team of expatriates, also provides SJ



*A 220-acre residential development in the Dagon Seikkan Township in Myanmar provides quality lifestyle for the residents*

<sup>3</sup> <https://surbanajurong.com/about-us/#history>



with a cost-competitive advantage. This encourages diversity and the cross-sharing of resources within the Group across geographies.

When asked what keeps him awake at night, Heang Fine expressed his concern of finding the right talents who share SJ's core values, such as integrity and professionalism. This is why he makes the time and effort to conduct townhalls and roadshows in various countries, to reinforce the Group's emphasis on its core values and to personally engage the employees on the ground.

For a global company to succeed, cross-cultural sensitivity is imperative. To this end, Heang Fine tailors the content of his townhalls using examples that employees can relate to in the respective markets. When it comes to matters such as corruption and bribery, SJ takes a very firm and universal stance. Heang Fine painstakingly takes the effort to explain to employees why it is not the way it does business. He highlighted, "Companies with unethical business conduct will run into trouble in a matter of time." Clearly, SJ's stance against corruption and bribery is strong, even if it eliminates a significant portion of its business opportunities. To prevent fraud, Heang Fine expects employees to adhere strictly to the Standard Operating Procedures (SOPs) and places importance on the adequacy of internal controls, such as segregation of duties.

## Minimising settlement and partner risks

While the system of procuring projects and receiving payment is relatively straightforward in Singapore, the same cannot be said of the global market. SJ has to be prepared for risk of payment delays. Heang Fine chuckled that one has to assume that customers would not pay and have the necessary precautions in place.

To reduce settlement risks, SJ introduces more regular milestone payments. The onus for payment collection rests with people on the ground who have established good working relationships with the clients. To mitigate the risk of default, particularly during disputes, an advance payment guarantee (APG)<sup>4</sup> is also commonly used.

When identifying partners to work with, SJ would also do the necessary background checks such as seeking feedback from those within the industry, ones who have experience working with the partners. This provides SJ with greater assurance that the potential partners are credible and trustworthy and therefore, able to deliver their work.

## On internationalisation

While Singapore has a small domestic market, Heang Fine is very pragmatic about internationalisation. He does not believe that encouraging all Singapore companies to internationalise is the way to go. Instead, he believes that we should be selective and focus on companies which have the highest potential of survival internationally. This means companies that are able to identify the geographic market needs and have the appetite and aptitude to be successful in overseas markets, which could be more volatile and challenging.



*The Bakun hydroelectric project located in central Sarawak, Malaysia, features a 205m-high concrete-faced rockfill dam*

<sup>4</sup> A contract under which the issuer undertakes to be responsible for the fulfilment of a contractual obligation owed by one person to another if the first person defaults.  
<https://uk.practicallaw.thomsonreuters.com/3-505-2290?transitionType=Default&contextData>





*Bask in the exclusive DoublePool Villa in Phuket, Thailand – an oasis of tranquillity tucked quietly away from the world*

# Banyan Tree

## A local company tracing its roots overseas

Right from day one, Banyan Tree Holdings Limited (“Banyan Tree”) set its sights overseas. The first Banyan Tree resort opened in Phuket, Thailand, back in 1994. Just as the banyan tree provided shelter to weary travellers, the Group chose the name – Banyan Tree – for its special group of hotels to symbolise the relief and comfort provided by nature to the world-weary.

### Going global to reduce risks

Mr Eddy See, Group Managing Director, Banyan Tree, shared that in the early years, as much as approximately 80% of Banyan Tree’s business used to be attributable to its operations in Thailand, which is where it started from. However, the Indian Ocean Tsunami (“Tsunami”) in 2004 was a wake-up call for Banyan Tree to diversify geographically. Some of Banyan Tree’s properties in Phuket and Maldives were impacted by the Tsunami. Although recovery from the impact of the Tsunami was faster than expected, within about a year, the push factor to diversify and the pull factor to command a presence in the international space became clearer.

This underscored the need for the Group to diversify its product offerings and customer markets to limit and manage risks such as political upheavals, natural catastrophes and epidemic diseases in a particular country or region, which could cripple the business. Banyan Tree now manages more than 42 resorts and hotels, 62 spas, 75 retail galleries and three championship golf courses in 25 countries.

Eddy shared, “Lijiang in China was totally unknown to the outside world then. Banyan Tree Lijiang was the first international hotel to be established in Lijiang back in 2006.” The success of that resort, coupled with Banyan Tree’s great brand traction worldwide, was what paved the way for the company to make headway into the rest of China, despite being a late entrant to the market. Fast forward to today, Banyan Tree fully owns two hotels and manages 13 under hotel management contracts in China, and has a strong pipeline of about 15 properties within the next 5 years.

While being mindful of competition, Banyan Tree welcomes competition for practical reasons. Eddy explained that having a cluster of resorts and hotels helps to profile and promote a location as a travel destination of choice. “Tourism is such that when more players come in, more hoteliers and businesses help to make the destination more appealing.” He



believes competition spurs innovation and that the world is big enough to accommodate the competition.

Operating in the ultra-luxury sector of the hospitality industry means that an excellent service culture is critical to the continued success of Banyan Tree's business. When asked how Banyan Tree upholds its reputation of providing top-notch, attentive yet discreet service in its overseas markets, Eddy credited it to its local service staff. He explained that Banyan Tree's service staff are highly motivated to provide the best level of service to the guests because of the Group's commitment and care to the associates as well as its practice of distributing all service charges paid by guests to them. This is a very powerful incentive mechanism as the service charges collected and distributed could sometimes amount to multiple times the basic salary of service staff. Banyan Tree also recognises the importance of training and has invested in full-fledged, accredited Banyan Tree Management Academy and Banyan Tree Spa Academy in Phuket for its associates. Management and talent development programmes are conducted annually as part of the stringent curriculum.

## Embracing locals and their culture

Banyan Tree believes it is important to develop the local talent in overseas markets for the hospitality industry. Typically in the opening of a new resort, Banyan Tree would first field a pre-opening team comprising a mixture of experienced expatriates collated from its various other resorts along with newly-hired locals. This allows the team to infuse and share best practices with the locals, thereby cultivating a strong Banyan Tree ethos of "Conserving the Environment, Empowering People" and ensuring effective governance and internal controls are in place from the start. Locals in the overseas market are assured that there is no glass ceiling and they will be given equal opportunities as the expatriates - to be groomed and rise through the ranks and head up local operations. This is part of embracing the locals and demonstrating the commitment level that Banyan Tree has in developing the communities in overseas markets where it is operating.

From a Singaporean's perspective, Eddy's view is that Singaporeans need to remain humble and not have the mindset that they are superior to the locals in overseas markets. He feels that the rest of ASEAN has caught up significantly with Singapore, in terms of skill set, and they are extremely hungry to succeed.

Eddy also shared the importance of understanding a country's culture when venturing overseas. Without this, Singaporeans run the risk of offending the locals and this may have implications on business operations. In the case of Banyan Tree, locals make up majority

of the frontline staff at any of its hotels and resorts. Having smooth-running operations become all the more important given that Banyan Tree operates in the highly competitive hospitality industry.

For example, the Thais generally prefer to portray a gracious and accommodating image and do not like to express overt disagreement or say no. This is evident even in their simplest words of "yes" is *chai* and the closest thing to "no" is *mai chai*, which translates to "not yes." This reflects much about Thai society that may not be initially apparent to outsiders, until they have spent some time in the country.<sup>5</sup> Hence, there is a need to infer what the Thai associates may only imply and ask more probing questions to ascertain if something can or cannot be done. There is also a need to build and earn the trust of locals by making them feel the genuine care and sincerity in trying to understand them, so that they will become more open, forthcoming and passionate about what they do.

In conclusion, it is in Banyan Tree's DNA to internationalise. Banyan Tree believes the world is its oyster. It believes in the spirit of exploration, to break through new frontiers and venture to new grounds overseas, even in exotic places like Cuba. It is this spirit of adventure and "can-do" attitude which enabled Banyan Tree to spread its wings abroad. Banyan Tree believes strongly in the need to continuously innovate to stay competitive and is proud to be a Singapore company with the unique distinction of being a luxury boutique hotelier that has truly gone global.



*Gaze into the amazing seaview at Banyan Tree Bintan, Indonesia*

<sup>5</sup> <http://www.bbc.com/travel/story/20170123-where-people-dont-like-to-say-no>



# Opinion piece



When one thinks of risks associated with internationalisation, geopolitical risk, currency risk, credit risk and financial risks immediately come to mind. Faced with the prospect of such risks, companies will attempt to de-risk and, in some cases, even halt their internationalisation plans. Such is the reality of conducting a risk management exercise associated with internationalisation; business leaders may end up ignoring the prospects and opportunities associated with international expansion to avoid taking on more risk.

Risk management is a double-edged tool. If you use it as a shield, you put yourself on the defensive, which may result in missed opportunities from internationalisation. If you use it as a sword, you may face crises and corporate failures due to business aggression, coupled with a lack of proper risk management. When used correctly, it is both a sword and shield that can open your mind to the opportunities of internationalisation, and enable you to develop a coherent strategy to overcome obstacles and risks associated with internationalisation.

As our economy transforms to remain relevant in the fast-changing global value chain, our entrepreneurs and enterprises must continue to be forward-thinking and outward-looking. We can no longer depend on our past successes and stay within our small local market. Disruptive technologies, the growing affluence of Asia and the increasingly connected world, will force every business to examine its relevance. Those who have the will to overcome adversity, and dare to foray into unfamiliar terrain to create new

business models serving Asia's growing middle class will enjoy first-mover advantage. They will also grow more resilient to external forces of change over time. Internationalisation has now become an imperative.

Oxley is an inspiring story demonstrating how internationalisation was not a choice but an imperative for a young property developer in Singapore. The leadership of Oxley had the foresight to anticipate how several rounds of property cooling measures imposed by the Singapore government since 2009 - the objective of which was to reduce segment demand and stem speculative buying sentiment - could have a negative impact on private property transactions. Oxley's first stop was London and subsequently, the emerging Cambodian market. Its story proves that a local property developer lacking prior overseas experience can be successful in foreign markets. The secret recipe of its success lies in its ability to source for and leverage local partners through joint ventures and strategic alliances. Furthermore, Oxley assesses risks pragmatically and takes proactive action to manage them, as demonstrated by its approach to land ownership in emerging markets.

When farming comes to mind, we naturally think of the expansive land and space needed. Given this, nobody would have thought it possible for a city-state like Singapore to become a global player in fish farming. Kühlbarra's internationalisation story shows how Singapore now has a good shot at becoming the world's largest producer of quality barramundi. The courage to dream and turn that vision into reality, by entering a new niche market on an



international scale, is impressive. Kühlbarra's ability to effectively manage risks associated with fish farming, as well as country risks and risks related to trademarks, is noteworthy. This exemplifies the spirit of innovation and entrepreneurship of Singapore's business community.

Surbana Jurong has also done Singapore proud as they are presently one of the largest Asia-based urban, industrial and infrastructure consulting firms. Growing organically and through acquisitions or partnerships, its presence now spans Asia, Australia, the Middle East, Africa and the Americas. A stringent due diligence process helps in the curation of suitable acquisition targets and partners; the former selected for complementary networks and capabilities, and the latter for trustworthiness and similarity in core values. As a global company, the need to bridge cultural differences, through core values such as integrity and professionalism, has been critical to its success.

Singapore's very own luxury boutique hotelier - Banyan Tree - has grown into one of the world's leading international brands in the hospitality and spa industry, operating in 25 countries worldwide. From the start, Banyan Tree's internationalisation strategy is calibrated to offer a sustainable socio-economic contribution to the country in which it operates. Having a diverse mix of nationalities within Banyan Tree means cultural sensitivity is key to ensuring smooth operations in each country. This is crucial as the Banyan Tree brand is synonymous with the concept of a luxurious sanctuary for relaxation where top-notch service is expected.

These success stories are inspiring for many of our local enterprises and budding entrepreneurs. The Singapore story of the 1960s to the 80s documented the early phase of the country's economic transformation and success. This captivated both developed and emerging economies alike. To continue writing a captivating story for Singapore over the next decade, we need more entrepreneurs to take calculated risks and create new business models, services and products, and enter new markets.

In line with the Singapore government's call to businesses to internationalise, the ISCA Corporate Governance and Risk Management Committee saw the need to share inspiring success stories to encourage greater entrepreneurship and risk-taking. Venturing overseas requires the ability to dream big and think global, the will to execute and overcome adversity, and the discipline to take necessary measures to manage the risks. We hope this publication will inspire more of our local enterprises to look outwards and step forward in the pursuit of their own internationalisation success stories.



**Tay Woon Teck**

Chairman  
ISCA Corporate Governance and Risk Management Committee



# PLUG & PLAY NETWORK (PPN)

IE Singapore's Plug & Play Network (PPN) provides in-market assistance to Singapore companies at different stages of internationalisation for Southeast Asia, China and India markets.

Plug into the resources and network of our partners in these overseas markets.



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## About the Institute of Singapore Chartered Accountants

The Institute of Singapore Chartered Accountants (ISCA) is the national accountancy body of Singapore. ISCA's vision is to be a globally recognised professional accountancy body, bringing value to our members, the profession and wider community. There are over 32,000 ISCA members making their stride in businesses across industries in Singapore and around the world.

Established in 1963, ISCA is an advocate of the interests of the profession. Possessing a Global Mindset, with Asian Insights, ISCA leverages its regional expertise, knowledge, and networks with diverse stakeholders to contribute towards Singapore's transformation into a global accountancy hub.

ISCA is the Administrator of the Singapore CA Qualification and the Designated Entity to confer the Chartered Accountant of Singapore - CA (Singapore) - designation.

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