

Winning in Asia: Creating long-term value is a landmark new report that seeks to provide answers to many of the questions from business leaders, policy makers and investors about what it takes to succeed in the competitive markets of our region.



Two years in the making, the report tackles some of the commonly held misconceptions about the challenges of doing business in Asia and offers the latest, evidence-based insights about who is succeeding, why they are succeeding and importantly, what lessons we can learn from them.

Winning in Asia is the result of a partnership between Asialink Business – the National Centre for Asia Capability – the Commonwealth Bank of Australia (CBA), the Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and The Sid and Fiona Myer Family Foundation.

The report draws from more than 300,000 data points and features leading insights from authorities on doing business in Asia, including Boston Consulting Group, Ellerston Capital and Cooper Investors, as well as numerous case studies and interviews with a range of corporate leaders and

subject matter experts.

Overseen by a taskforce of pre-eminent Australian business leaders, *Winning in Asia* is very much a report by business for business. It is released at a most challenging time for the Australian economy with the findings and recommendations to be considered in the context of mapping a sustainable, long-term recovery from the coronavirus pandemic.



EXECUTIVE SUMMARY

Globally, countries are struggling to contain the spread of the COVID-19 epidemic in addition to staving off a dramatic decline in economic activity. The multiple waves of the pandemic, synchronised deep global downturn, depressed consumer consumption, travel restrictions, and contraction in global trade have had an unprecedented impact on the global economy.

According to the International Monetary Fund (IMF), it is forecasted that all major advanced economies are projected to record growth worse than -4.9 per cent. In contrast China, India and the ASEAN are all projected to record growth rates better than the major advanced economies and the global growth rate.

Australia remains heavily coupled with Asia from a trade and investment perspective, with 7 of Australia's top 10 trading partners being in Asia. There has been increasing volume and deal value of inbound investments coming from Asia over the last decade and most notably from China, which still remains behind Japan in its stock of foreign direct investment in Australia. The US remains by far the largest investor in Australia.

Many Asian nations are, notwithstanding the COVID-19 crisis, growing rapidly and are regionally and globally influential. In Australia, with rich natural resources, limited population and high domestic market saturation, opportunities to achieve economies of scale in sales volumes to offshore markets, a high level of cross-border flexibility and low levels of regulation are some of the factors that influence offshore expansion. In 2019, the materials, healthcare and information technology sectors all generated 70 per cent or greater of their revenues offshore.

Investing and trading overseas is not easy, with different cultures, attitudes, languages, legal, tax and systems all presenting challenges to overcome. These factors among others create high barriers for Australians wanting to enter and succeed in Asia.

Based on our own experiences, we list some fundamental key points which are vital but can often be easily ignored by business leaders when deciding to enter Asian markets.

IDENTIFY, RECRUIT AND RETAIN ASIA-CAPABLE LEADERSHIP

In order to enter and remain active in Asia markets, it is vital to seek global experience and Asia capabilities, as these factors can enable leaders and businesses to think globally on geopolitics, technology, management practices, risk management and industry dynamics. It is not just simply about being able to speak a particular Asian language, it is about being able to navigate the local system and being comfortable with dealing with people from that region or culture.

TAKE A STRATEGIC APPROACH TO ENGAGE WITH ASIA

To engage with Asian markets, taking a structured approach is also important, particularly when considering long-term goals and objectives. This typically includes active involvement of relevant staff through multiple visits to the region, hiring local talent, political analysis, engaging with government (host and base country), industry bodies and advisors to navigate opportunities and risks within the new markets.

BUILD AWARENESS THROUGH EVIDENCE RATHER THAN ANECDOTES

There is an old Chinese saying: *'It is better to travel ten thousand miles than to read ten thousand books.'* Anecdotes could be some outdated views of markets, government policies and some successful cases which are not relevant to business practices today. In dynamic Asia where markets develop rapidly, those anecdotes that are more than 12 months old can already be irrelevant. Supporting contemporary research and analysis with time spent on the ground is vital, by personally visiting key markets, spending time with local entrepreneurs, investors and businesses can help Australian businesses understand their target markets in a more thorough way.

Koby Jones, Managing Director of The SILC Group provided his insights to Asialink Business where he shares his wealth of experiences in successfully engaging with Asia for the *Winning in Asia* report.

CASE STUDY: THE SILC GROUP

The SILC Group is a specialised financial solutions provider servicing wholesale private, commercial and institutional clients. It offers corporate, capital and portfolio solutions across the full spectrum of investment, lending and financial markets products. The SILC Group commenced scoping as part of its China market expansion strategy by focusing on Shanghai and Hong Kong in 2013. From 2015, after the analysis stage, it commenced establishing relationships and working with local intermediary advisors and associations in the market.



ESTABLISH RELATIONSHIPS AND THEN FORM PARTNERSHIPS

Koby Jones, Managing Director of The SILC Group says: *“Asia is so big you can’t not be there! The decision to invest in Asia was not difficult. As a financial services company focusing on wholesale markets, Australia is not large enough and there is a critical need to find new markets.”*

The company’s first visit to China was through a trade mission organised by the Victorian government with a focus on the infrastructure sector. This provided the opportunity to be introduced to different companies and was also a great opportunity to explore the culture, size and appetite of the market. Jones explains that he used this approach to visit China several times through trade missions organised by the Victorian government and Austrade and each time focused on strengthening existing relationships and developing new ones. Once the relationships were firmly established, the company leveraged them to start identifying local intermediary advisors in the market it could partner with.

The SILC Group currently has a network of approximately 20 local intermediary advisors who have access to more than 200 relevant clients in Asia. Partnering with the right intermediary advisor who is trusted, can negotiate, communicate and engage with the local market was essential and key to building a sustainable and successful strategy.

THERE ARE WAYS TO INTERNATIONALISE AND STILL MANAGE YOUR CAPITAL OUTLAY

The business model operates by having a presence in Australia that has a connection to the intermediary advisors in their respective local markets, who in turn have access to the relevant potential clients. The strategy to use only local intermediary advisors has allowed The SILC Group to minimise financial risk and capital outlays. The intermediary advisors in the relevant markets work directly with the local clients. Jones refers to this approach as a soft entry approach that minimises his company's risk exposure and ensures warm introductions. Intermediary advisors get paid a success fee percentage based on the amount invested by their clients. There are no local offices in offshore markets at this stage to keep costs low, but Jones ensures he undertakes regular visits to meet his local advisors. His management team in Australia is also in constant contact with the team in China and Hong Kong and other markets in Asia.

The SILC Group is continuing to invest in technology to offer more products and services to increase its reach as it is not possible to be in all the markets. The focus of the technology is on efficiency by reducing the number of physical touch points, improving velocity by increasing the speed at which responses and engagement can be provided, and enhancing scalability by increasing the reach to cater to a wide range of markets, not only in Asia but globally. As a result, the company has actively been investing in technology to achieve its growth strategy and is collaborating with a major University in Melbourne to develop its platform. Relationships are what matter in these market segments and The SILC Group is using technology as part of the solution, which is combined with a novel distribution strategy. Diversifying and being International can be done with limited capital investment and continuing to maintain a low operational risk profile.

TAKE TIME TO BUILD A PRESENCE AND THEN ACCELERATE

Jones first visited China in 2013 to understand and explore the market and build relationships. From 2015 he started identifying who The SILC Group could be working with and then built partnerships with the local intermediary advisors. The company has grown its presence in Shanghai and in Hong

Kong, which is now the hub for the company in North Asia, and also has networks in South-East Asia, particularly in Singapore and Malaysia. The SILC Group also has connections in Beijing and Guangzhou and has explored 11 cities in total in China.

COVID-19 has fortunately not impacted the business. Instead, it has grown its client base during this period, given their focus is on alternative assets and wholesale investors who are mature in their outlook and focused on long-term outcomes. Alternative assets are gaining more interest and popularity with the firm's client base in Asia. Within alternative assets The SILC Group is attracting investment from clients in Asia related to private debt, private real estate, private equity, infrastructure and agriculture. The current environment has produced a positive outcome for the business, as Jones explains there is also a rapidly growing middle-class in Asia that is demanding more access to and choice in these solutions.

He says Australia has a strong reputation as a well-regulated, transparent, stable and trusted destination for capital, and The SILC Group needs to be ready to provide its services and solutions to clients. *"There is a market for it in Asia and we need to strongly engage as it is no longer going to be optional, but essential for our long-term sustainability. Asia is the future and it is right on our doorstep ready to engage."*

For further information, please visit the website www.winninginasia.com.au

