

Doing business in Singapore



Introduction—Fasico

- Established as a fully independent consulting firm, in position to support European companies in Asia. We operate with a high degree of efficiency, flexibility and professionalism to meet mutually defined targets
- www.fasico.com



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Fasico focus area

- Start-up in Asia
- Market penetration and –development
- Acquisitions and integrations advisory
- Turn-around and repositioning
- Management coaching (cultures and mentalities)
- Divestments
- Product sourcing and production outsourcing
 - In partnership with **i n o v a**

Republic of Singapore—Introduction

- After 40 years of remarkable growth, Singapore has gone from a per capita income of US\$427 in 1960 to one of US\$49,900 in 2007

(Source: CIA world factbook)



Positioning statement

- Because of the hostile historical heritage, Singapore had to “leapfrog” its neighbours as trading partners and attract foreign companies to manufacture in Singapore for export back to the developed world
- Singapore sought to define itself as a “First World Oasis in a Third World Region.”



Agenda

- 1 Singapore's background
- 2 Why doing business in Singapore
- 3 Singapore's culture and society
- 4 Business etiquette
- 5 Business negotiations
- 6 General business practices
- 7 Do's and Don'ts
- 8 Conclusion and discussion



1 Singapore's background

- Geography
- History
- From yesterday to today
- Economy
- Key figures



Eldin Bridge (the first bridge built across the Singapore river) shown in 1960s and today

Geography

- Island located 1° north of the equator between the tip of Malaysia and the islands of Indonesia
- Slightly bigger than the “Kt. Glarus” (685 vs. 707 km²)
 - Singapore's land area has grown from 581.5 km² in the 1960s
- Tropical climate (hot, humid, rainy in the afternoon)



Right: Singapore's Jurong island, a man-made land mass which has become the centre of the country's multi-billion-dollar chemicals and petrochemicals industry. The island was formed by amalgamating seven smaller islands through land reclamation (STR/AFP/Getty Images)



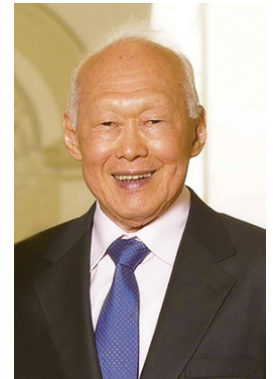
History

- Malay fishing village at the mouth of Singapore river
- In 1819 Sir Stamford Raffles discovered Singapore
- 1824 Singapore became a “British Colony”
- 1959 self-government under United Kingdom (city state status)
- Joined Malaysian Federation in 1963
- Separated in 1965 and became independent (parliamentary republic)



From yesterday to today

- Independence (PM Lee Kuan Yew 1959-1990)
- Self-sufficient, fledgling nation facing mass unemployment, housing shortage, no natural resources, limited land resources
 - Started large scale public housing program (HDB) to curb unemployment and racial tension
 - Development of country's infrastructure
 - Raising standard of living



From yesterday to today (2)

- **Modern Singapore** (PM Goh Chok Tong 1990-2004)
Singapore becomes respected first world country in Asia (Tiger State). Tackled Asian Financial crises in 1997 and SARS outbreak in 2003
 - Major shift from manufacturing (electronics) to more knowledge based economy
- **Singapore today** (PM Lee Hsien Loong since 2004)
 - Develop Singapore to be the educational centre and attract foreign schools, institutes and universities
 - Attract more tourists and make Singapore the place to go (Casinos, Formula 1, Youth Olympics)



Economy

- Highly developed free market economy
- Open and corruption free environment
- Heavy export dependence (oil & gas, electronics and manufacturing)
- Since 2003 shift focus to become leader in life science, biomedical, financial services
- Educational, tourism and medical hub



How to achieve the positioning strategy by 2020?

- By investing in and promoting new science and technology clusters, Singapore plans to move its economy up the value chain towards knowledge-based sectors



Key figures

- Population: 4.84 Mio (6,498 per km²)
- Singapore citizens: 3.2 Mio (2/3 of population)
- GDP annual growth: 7 – 8 % (2008 3-4%)
- Inflation: 3.5 % exp. 2008
- Imports / Exports: S\$ 155bn / S\$174bn
 - Imports: Malaysia 15%, US 13%, Japan 12%, China 10%, Taiwan 6%, South Korea 4%
 - Exports: Malaysia 15%, US 13%, Hong Kong 10% China 9%, Japan 6%, Taiwan 5%

Key figures (2)

- Three main ethnicities: Chinese (76.5%) Malay (13.8%) Indian (8%)
- Languages: English, Mandarin, Malay & Tamil
- Labour force by occupation: manufacturing 18%, construction 6%, transp. & comm 11%, financial and other services 49%, others 16%
- Unemployment rate: 2.2% (Sep 2008)
- Home ownership: 91% (living in HDB 75%)
- Mobile phones per 1,000 people: 1,225
- Internet users: 2.7 Mio (March 2008)

2 Why doing business in Singapore

- Strategic location
- Infrastructure
- Legal system, taxes, IP protection
- Business environment
- R&D capabilities
- Regional HQ



Singapore's strategic location

- Location at the heart of the ASEAN (Association of South East Asian Nations), Singapore puts a combined market of over 500 million people within your reach
- Its strategic location has already made the city-state a leading financial hub, the regional trading centre and one of the world's busiest ports
- Its location will continue to yield benefits for research and business that wish to explore the immense life science and biomedical opportunities



Infrastructure

- No other location in Asia offers such a world class physical infrastructure; an outstanding research infrastructure backed by supporting industries
- World's busiest port
- Aviation hub for South-East Asia (Pax: 40 Mio/y)
- State of the art services (postal services, energy, transportation, communication, etc.)



Legal system, taxes & incentives

- Government incentives
- Fiscal stimulus
- Low taxes (maximum corporate tax rate 17%)
- Low interest rates
- Stability (political and social)
- Law & order (English law practice)
- Education system



Singapore's growth drivers

IP protection

- Singapore has established a strong regime for intellectual property protection and a sound regulatory framework
- It has achieved top rankings in terms of IP protection such as the
 - 'Best IPR Protection in Asia' by the Political and Economic Risk Consultancy (PERC) since 1997,
 - 'Top Country in Asia for IP protection' by both the World Economic Forum and the Institute of Management Development
- It is also a signatory to major IP treaties

Pro-business environment

- Many companies have extended high accolades to the stable and supportive business environment in Singapore, citing it as one of the main reasons for choosing to do business here
- For companies considering starting up their operations in Singapore the Economic Development Board (EDB) is the first contact point
- Hard working and highly educated work force
- English is the business language
- Very low levels of corruption

Research and development capabilities

- In Singapore you can find several national research institutions set up over the past two decades to build R&D capabilities in various sciences
- These institutions house more than 1,000 biomedical researchers
- Various government agencies help researchers to find appropriate support and resources available in Singapore



Singapore's Biopolis—a high-tech S\$500 million biomedical park

Regional HQ

- Low corporate taxes
- Tax incentives and tax exemptions
- No capital gain taxes
- Foreign income exemption
- Regional HQ incentives
- Excellent infrastructure
- Singapore's hub-function



3 Culture & society

- Key concepts and values
- Religion
- The family
- Face & Respect
- Hierarchy
- Titles & names
- Building relationship & Communication

Key concepts and values

- Concept of Face is an important value in Singapore Culture as it involves saving and maintaining “Face”
- “KIASU” literally means “fear of losing” and is often used to describe the social attitude of the Singaporean people
- Population diversity of Chinese, Malay and Indian as well as guest workers.



Religions

- Singapore is a multi-racial and consequently also a multi-religious country
- 43% Buddhists
- 15% Muslim
- 15% Christians (5% Catholics)
- 9% Taoists
- 4% Hindu
- 14% none



The family

- The concepts of group, harmony and mutual security are more important than that of the individual
- The family is the centre of the social structure and emphasizes unity, loyalty and respect for the elders
- The term family generally includes extended family and close friends
- Respect for the elderly and seeing the family as the place one goes to for support help retain core values of the nation



Face & respect

- Having face indicates personal dignity
- Singaporeans are very sensitive to retain face in every aspect of their life
- Face is a priced commodity that can be given, lost, taken away or earned
- It is a mark of personal qualities such as good name, good character, good reputation and integrity
- Face is what Singaporeans strive for in harmonious relationships

Hierarchy

- Singaporeans claim to be an egalitarian society, but they retain strong hierarchical relationships
- The reliance on hierarchy is drawn from Confucius, emphasizing to respect age, status and even blind obedience to one's elder.
- The elders are always treated with respect and courtesy
- Elders are introduced first, given preferential seating and in general put on pedestal
- Greetings follow strict protocol based on ethnic origin and age of the person



Titles & names—Chinese

- Chinese traditionally have three names, the surname first and followed by 2 personal names
 - Address the person using title and surname. If they want to move to first name basis they will advise which one to be used
 - Some Chinese adopt western names and ask you to call them by that name



Titles & names—Malay

- Malays often do not have surnames, but use the fathers name with their own name with the connector bin resp. binti:
 - Noor bin Isa (Noor the son of Isa)
 - Zarina binti Isa (Zarina daughter of Isa)
- The title of Haji (male) and Hajjah (female) indicated the person made its pilgrimage to Mecca
- The name Sayyed (male) or Sharifa (female) indicates the person being a descendent of the prophet Mohammed.



Titles & names—Indian

- Many Indians do not use surnames. Instead they place the initial of their fathers name in front of their own name. The man's formal name is their name "s/o" and the fathers name
- Since many Indian names are extremely long they used shortened versions or nicknames
- Sikh Indians all use the name "Singh"

Building relationship & communication

- Personal relationships are the cornerstone of all business relationships
- Business is a matter of being tied into proper network, which is the result of longstanding personal relationship or proper introductions
- This is a group oriented culture, so links are often on ethnicity, education or working at the same company
- Once you are recognized as part of the group, you are expected to obey the unwritten rules of the group
- Influenced by Asian philosophies of creating good rapport before doing business, Singaporeans often consider personal relationship more important than the company you work for.

Building relationship & communication (2)

- Be aware that a relationship takes time to develop
- Patience is important to show, that an organization is here for long-term and not looking for short-term gains
- They are cautious and make sure they are doing business with the right person. Therefore it is important to establish good relationship to demonstrate capabilities and character
- Always be respectful and courteous when dealing with others as this leads to a harmonious relationship
- Rank and age are always respected
- Singaporeans are soft-spoken and believe calm behaviour is superior to a more aggressive style
- Watch your body language and facial expressions

4 Business etiquette in Singapore

- Be courteous and professional at all times. Take the time to learn the Asian courtesy
- Business friendships are based on honour, integrity and good character. Singaporeans highly regard warm and personal relationships
- When making introductions for the first time and in formal meetings always use a persons title and surname
- Don't be offended if Singaporeans don't look into your eyes during the meeting. Lack of eye contact is a sign of respect, especially if you are more senior or of higher status
- Handshakes in Singapore are usually soft and light to touch no "bone-crushing" western handshakes
- Singaporeans tend to be calm and are not showing emotions. Speaking loud is considered rude

Business etiquette in Singapore (2)

- Give and receive business cards with both hands. Look carefully at it and smile to show you recognized well who the other person is
- Common greetings are: “Have you had your lunch today”, “Where are you going”, “How are you”, “Good morning”
- Good topics for small talks are food, tourist attractions, mutual benefit, mutual friendship. Avoid religion, personal relationship, money, sex, racism, politics and criticism of bureaucracy
- Be punctual for meetings and lined-up in order of rank
- Avoid complimenting business women’s appearance (could be misunderstood as amorous advance)
- Women are fully integrated in the professional life

Business etiquette in Singapore (3)

- Never touch, hug or kiss a person of opposite sex at business meetings
- Jackets are not required for men for business meetings due to tropical climate. Women are formally dressed, predominantly in black
- Be careful about gift-giving as this could easily be misinterpreted as bribes. A presentation of a gift to an office or a group can be made and is not regarded as grafts. If you need to give a gift to an individual, give it in private, not to offend the rest of the group
- Gifts should never be expensive, small token of appreciation are appropriate
- If you host a lunch mind that Muslims do not eat pork and Hindus do not eat beef. Chicken is always fine. Alcohol is not common for lunch but acceptable for dinner. A drink after dinner is uncommon, a visit to the Karaoke bar is not

5 Business negotiations

- Appointments need to be arranged well in advance. No meetings during Chinese New Year period
- Always send a list of the attending persons and their titles well in advance
- Wait to be told where to sit. The strict hierarchy must be followed. Business is more formal than in western countries
- The group (company or department) is viewed more important than the individual
- There is always a period of small talk before getting down to business discussions
- Business negotiations happen at slow pace
- Singaporeans are non-confrontational. They will not openly say “no”, their “yes” also does not always signify agreement

Business negotiations (2)

- They tend to give a respectful pause of up to 15 seconds before answering a question
- Be prepared with a mental list of concessions you are willing to make
- Singaporeans are tough negotiators especially on prices and deadlines
- Decisions are consensus driven
- Avoid losing your temper or you will lose your face and damage your relationship
- If you sign a contract with ethnic Chinese, the signing date may be determined by an astrologer or geomancer (Feng Shui Man)

6 General business practices

- Attitude
- Body language
- Meeting structure
- Verbal strategies
- Use of Language
- Handling specific situations

Attitude

- Above all be patient
 - Don't try to force the pace, as it will be regarded as inflexible
- Show warmth and willingness – empathy
 - Small talk builds relationships. The content of the first meeting is less important than the form
- Calm and constructive attitude
 - Stress mutual benefits and what is positive
- Sincerity: the key is to be firm, but fair
- Sensitive: instead of “no” you may get any other signal
- Use of concrete examples. Otherwise words may be perceived as empty and insincere

Body language

- It is not so much what you say, as how you say it, that could determine the atmosphere of the meeting
- To build trust and friendship adopt a comfortable and relaxed stance and measured gestures. Avoid flamboyant Mediterranean gestures and Nordic immobility
- Limit physical contact
- Don't be afraid of eye contact, but be careful not to stare because the partner may feel you are aggressive and intrusive



Meeting structure

- Despite a decent English, conducting a meeting in English is likely to cause a considerable effort
 - Don't ramble from topic to topic in an uncontrolled fashion as it may be hard to follow. Clarity is your responsibility
- Having said that, Chinese try to avoid the linear way and prefer to act in more circular fashion. If you are too rigid it will be perceived as inflexible
- Structuring the meeting and the message requires a light and sensitive touch. If you get the balance right, the appreciation of your care enhances the quality of the relationship

Meeting structure (2)

- Use agendas for clarity and to promote confidence. Agree on the agenda, don't impose it
- Above all, don't try to proceed from point to point in a too linear fashion, as this will be perceived as cold and impersonal
- Summarize regularly not just at the end, to check agreement and understanding. This is not only for clarity, but also to warm the relationship
- Ask your partner to wrap up what was discussed, to check if everything was understood

Verbal strategies

- Asking questions is one of the basic tool for two-way communication
- Avoid closed questions. “ Do you....”
- Focus on open questions. “How much....”
- Avoid complicated questions
- Be careful to answer questions concisely and clearly
 - Credibility is lost through unclear, over-packed answers
- Pause before responding to show that you think before speaking
- Make sure you are actively listening. Show that you are attentive and interested. “Oh, I see...”

Use of language

- To maintain warmth and willingness as well as to ensure clarity, exercise control what you say and the way you say it
 - Speak clearly
 - Don't mumble or gabble
 - Ask yourself if you need to slow down
 - Don't patronize by speaking too slowly or too loud
 - Stress the key words

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Use of language (2)

- **KISS (Keep It Short and Simple)**
 - Think then talk
 - Stick to one idea per sentence
 - Avoid unnecessary packaging
 - Be brief and clear
 - Avoid too many connectors (although, whereas, in so far)
 - Avoid too many analogies and examples
 - Allow plenty of space to ask questions

Handling specific situations—The phone

- Use the phone for practical matters (fixing a meeting)
- Never attempt a cold call
- Don't discuss anything delicate or personal
- Keep small talk to a minimum
- Use clear simple language
- Allow plenty of time to respond
- Don't interrupt
- Sent written confirmation, especially figures and dates

Handling specific situations—Getting prepared to meet

- Leave nothing to chance, prepare well
- Find out everything possible about to partner
- Set your objectives and prepare your strategy in detail
- If you are in a team, assign specific roles
- Prepare the necessary documentation
- Check the location and the transport arrangements

Handling specific situations—The meeting

- Welcome, introduction, exchange of name cards, small talk as mentioned earlier
- Listen actively, but don't interrupt with questions while you receive initial information. Make notes of common grounds you can pick-up later
- Give a longer, detailed self / company introduction
- Include facts and background information
- Stress long-term nature of relationship
- Don't introduce radical new ideas—no surprises

Handling specific situations—The meeting (2)

- Be prepared to bargain, but start with a comfortable range
- Above all, don't rush
- When faced with objections or deadlock, stand firm, be fair repeat the key messages, be persistent.
- Get your partner involved in problem-solving process. “how can we solve this?”
- Never be afraid to ask for a time out
- At the end of the meeting, gently sow the seeds for the next contact “ Would it be ok to phone you in...”

Handling specific situations—Gifts

- Gifts during a meeting or signing ceremony are not a requirement but neither are they uncommon.
- Gifts should not be big or expensive, but can be “company gifts”.
- A safe bet are company / country specific gifts
- Your counterpart may not like the gift but will not be offended and the gesture will be appreciated
- No wrapping in black, blue or white paper as they are mourning colors
- Gift wrapping is imperative
- Do not give odd numbers as they are unlucky
- Flowers are not a good gift as they are for the sick and funerals
- Gifts are not opened when received
- If you give food. Make sure it is Halal
- Offer gifts with the right hand or both

Handling specific situations—Gifts (2)

- Gifts for ethnic Chinese
 - Gifts may be refused three times before acceptance. Shows recipient is not greedy.
 - No scissors, knives and any cutting utensils
 - No clocks, handkerchiefs as associated to death

- Gifts to ethnic Malays
 - Never give alcohol and any thing made of pig skin
 - Give the gift when departing rather than when you arrive
 - Avoid white paper wrapping, wrap in red or green paper

Handling specific situations—Gifts (3)

- Gifts to ethnic Indians
 - If flowers avoid frangipani, as they are used for funerals
 - Offer gifts with the right hand or both
 - Do not wrap gifts in white or black
 - Wrap gifts in red, green or yellow, as bright colors bring good fortune
 - Do not give leather products to Hindu
 - Do not give alcohol
 - Gifts are not opened when received

Handling specific situations—Banqueting

- Lunches and dinners are essential for business relationship
- Always accept invitations
- Never arrive late
- Don't be surprised if everyone leaves immediately after dessert
- Alcohol is not common for lunch but acceptable for dinner
- A drink after dinner is uncommon, a visit to the Karaoke bar is not
- As a host prepare everything in advance protocol



Handling specific situations—Negotiating

- Always be calm, courteous and constructive and do not abandon tried and tested negotiating techniques
- It can happen that negotiators may be uncharacteristically aggressive and accusing you of moving goalposts or even lying to them
 - Such outbursts are more a ritual piece of theatre designed to test you
- Challenge is not how to handle such outburst, but how to achieve your objectives of warmth, willingness und trust
- Always send experienced negotiators
- It is not recommended to delegate the highest ranking officers for the first meetings
 - Keep him for final negotiations

Handling specific situations—Negotiating (2)

- The Chinese negotiating style could best be described as follows:
 - Never throw the fish into a pot of hot water. The fish will jump out and cannot be cooked. Instead, put it into cool water, so he is comfortable and won't suspect what you have in mind
 - Very slowly, turn up the heat just a little at the time, so the fish doesn't notice it's getting hotter. Keep the fish relaxed and happy before he knows, he is cooked

Handling specific situations—Negotiating (3)

- Chinese are very skilled to operate in teams, but speak with one voice. Important that you are seen likewise as they find it difficult to deal with teams appearing being a random collection of individuals.
- Assign roles and brief the team carefully
- Memorize all necessary facts about your partner's company, their negotiators and the deal that is on the table.
- Talk through your strategy and role-play as a team. Define how you will put the key proposals
- Especially practice the handling of the all-important opening stages of the meeting

Handling specific situations—Negotiating (4)

- Reinforce warmth and trust by emphasizing areas of agreement rather than differences
- Nothing is agreed till everything is agreed
- Backtracking on a point that has already been agreed gives off the impression you like to fool your partner
- Beware of making concessions too early
- Discuss concessions in private to maintain face and harmony within the group
- Find out where the true decision making power lies
- Chinese negotiators are very good in detecting weaknesses
- Contracts are not always seen as the final word for things that can always be renegotiated among friends

7 Dos and Don'ts

- It may sound confusing, but don't get overwhelmed. Your best bet is to be conservative in your behavior and read up on Singapore etiquette

- What to wear
 - **DO** dress conservatively for business function. For men a shirt, a tie and nice pants are suitable. Avoid yellow ties if you meet Malays (yellow is the Royal color). Blouses and skirts or pantsuits are fine for women. Shoulders, elbows and knees should be covered
 - **DO** dress how you normally would in other situations. Casual western dress is common

Dos and Don'ts (2)

■ Food & Drinks

- **DO** allow your host to do the ordering at a restaurant
- **DO** expect a lunch/dinner by someone of Chinese descent and reciprocate with an equally nice one before leaving Singapore
- **DON'T** eat until the host begins when dining with Chinese
- **DON'T** eat with the left hand when dining with those of Malay or Indian decent
- **DON'T** let the serving spoon touch your plate and don't share leftovers
- **DON'T** refuse the first offer for food and drinks. If you want to refuse seconds, put your hand above your plate and tell them, "No, thank you"
- **DO** put cutlery next to each other on the plate to indicate you are done. Put the chopsticks on your chopstick rest. Don't stick them in your rice bowl

Dos and Don'ts (3)

- Tipping
 - **DON'T** feel obliged to tip. It is not customary in Singapore

- Gesturing and body language
 - **DON'T** touch someone's head (Head considered sacred)
 - **DON'T** show the soles of your feet or use your feet to point (feet are considered dirty)
 - **DON'T** tap your foot
 - **DO** cross your legs only by putting one knee over the other
 - **DON'T** point at someone with you index finger
 - **DON'T** pound your fist into the palm of your hand
 - **DON'T** show affection in public

Dos and Don'ts (4)

■ Greetings

- **DO** greet with a hearty handshake. Shake hands with all who are present
- **DO** give a slight bow for older Chinese people
- **DO** be aware that Malays will not always shake hands. Muslims will not shake hands with the opposite sex. When two women meet they may just bow their heads
- **DO** not wait for a women to initiate a handshake if you are a man

■ Visiting someone's home

- **DON'T** be late if going to a Malay home for a meal. Meals will be served right away, without drinks or appetizers beforehand
- **DO** expect to be given a small bowl and towel if eating at a Malay home. It's for hand-washing

Dos and Don'ts (5)

- Visiting someone's home (2)
 - **DON'T** stay for more than an hour after the meal
 - **DO** bring your host a gift
 - **DON'T** bring food if invited to a Chinese home. Your host may be insulted, as it could indicate that you don't think they are good hosts
 - **DON'T** expect to be invited to private homes, it's much more common to entertain in restaurants

- Everyday etiquette
 - **DO** be aware of some serious Singapore taboos, that are punishable (no littering, chewing gums, jaywalk or smoking in public, homosexuality)
 - **DON'T** discuss religion and politics
 - **DON'T** make jokes

Dos and Don'ts (6)

▪ Business

- **DO** expect business to be conducted formally
- **DO** take time to build personal relationship
- **DO** make appointments well in advance
- **DON'T** be late
- **DON'T** disagree with someone who has a higher ranking or is older than you
- **DON'T** sit until told where to sit
- **DO** exchange business cards using both hands
- **DO** treat business cards respectfully, Examine it thoroughly before putting it away
- **DO** be very direct when communicating

Dos and Don'ts (7)

▪ Business (2)

- **DO** speak in quiet and gentle tone
- **DON'T** take 'yes' from Chinese counterpart literally. They rarely answer you with a blunt "yes". "Yes" could mean maybe or even "no"
- **DON'T** make intense eye contact with a senior or older person as this will be seen as a sign of disrespect
- **DON'T** be impatient in business negotiations as this will be seen as a weakness by your counterparts

8 Conclusion & discussion

- Doing business in Singapore is not that difficult if:
 - You are open to other cultures and mentalities
 - You want to learn to understand others
 - You are open minded
 - You are tolerant and flexible
 - You are patient, diplomatic, playing fair, determined, reliable and persistent
 - You do accept calculated risks
 - You are a good communicator (internally und externally)
 - You master the English language well
 - You play the game and follow the rules
 - You are loyal, reputable and of high integrity

Thank you

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