

## **Why a small Singapore construction firm ventured to Myanmar 30 years after its founding**

Soilbuild Construction Group took the plunge to expand overseas even though it was fully aware the move offered no guarantees of profit. Its executive director explains why.

[By Ho Toon Bah](#)

22 Mar 2018

SINGAPORE: When it comes to ensuring the growth of our local companies, the most common refrain nearly all bosses of small- and medium-sized enterprises (SMEs) hear is this: Go overseas.

Growing overseas, as many consultants will say, is the only way to survive in the current business environment where competition is getting stiffer even as costs are rising at home. Staying in Singapore, with its tiny market, is not an option.

But as SME bosses will know, going overseas is not a simple task. It is fraught with risk, with no guarantee that you will be better off after starting operations overseas.

After all, why risk a good and steady business in Singapore by taking a punt on an unfamiliar market?

These were the same questions we faced at Soilbuild, when after more than 30 years of staying rooted in Singapore soil, we decided to take the plunge and expand overseas.

### **BRICK BY BRICK, STEP BY STEP**

Soilbuild was established in 1976. The company started out as a small contractor, helping to build the many workshops and warehouses that were in great demand during the rapid industrialisation of Singapore's economy.

As we laid the foundations of our businesses through such projects, we progressively gained the confidence to expand our portfolio. Soilbuild started constructing private residential buildings like condominiums and terraces.

In 2011, we secured our first public housing project from the Housing Development Board – a significant milestone for our company

The project was a big one for us. But we started asking ourselves: What next? We could continue taking on such big projects in Singapore but we were acutely aware that we could not rely on such projects to continue growing.

For one thing, the market had become a lot more competitive. Like us, many local contractors also grew to become developers over time. Foreign entrants, attracted by Singapore's strong economic fundamentals and ease of doing business, also started bidding for projects.

While we were not afraid of competition, a second major issue cropped up: Rising costs. It is no secret that costs in Singapore are rising, from manpower to raw material and even rent.

So even though we were doing well in Singapore, it was not feasible to only focus on the domestic market if we wanted to grow the business. For the sake of the company's long-term future, we had to go abroad.

With some support from IE Singapore, Soilbuild linked up with a few business partners in Myanmar to gain market access.

But let me just state upfront: We were clear-eyed that going overseas would not be without its challenges. Companies must have a clear plan and know exactly what they are going in for.

For Soilbuild, we had to tackle three key challenges.

The first was overcoming what Singaporeans have always taken for granted: Clear rules and regulations.

We were unfamiliar with Myanmar's laws and regulations. The interpretations were also sometimes unclear. This hampered the progress of our projects.

The second challenge was funding. The costs of project financing in Myanmar was high – banks continued to view such projects as risky and the high interest rates reflected this concern.

With such high interest rates, customers were not willing to buy properties unless they held potential for further growth.

Shopping malls aimed at Yangon's growing middle class are sprouting up around the city, while on its fringes factories are churning out clothes for international brands drawn to its pool of young labour.

Lastly, while manpower was abundant in Myanmar, there was an acute shortage of skilled workers and talent. Many people believe construction is about cheap labour, but the opposite is actually true. Without good and skilled workers, the quality of our work could be compromised and projects could be delayed.

The challenges were formidable but they were not insurmountable.

For instance, to mitigate the risks and to familiarise ourselves with the market, we adopted a conservative approach in Myanmar to start small.

During our initial foray, we only offered project management and consultancy services to local project developers. This allowed us to get a feel of the market, and understand the rules and regulations better.

To tackle the shortage of funding, we ensured that we had a ready pool of our own resources to tap on to pay for short-term costs. At the same time, we kept a sharp focus on risk management, working with customers who were credit-worthy and equipped with sound finances.

We also tackled the manpower challenges on two fronts. We repatriated Myanmar nationals who had worked with us in Singapore. They were already trained and could hit the ground running back in Yangon, solving our problem of skilled workers.

At the same time, we posted Singapore staff to the country to facilitate rapid knowledge transfer.

## **NOTHING VENTURED, NOTHING GAINED**

We have made much progress in our push into the Myanmar market.

Apart from completing alteration works at a shopping centre called The Parasol, we are also in the midst of building two condominium projects and a hotel.

It is still early days but the signs are positive and we believe that expanding overseas was the right call to make. We have seen our revenue increase, and we expect to see further growth in the long run.

At the same time, by building our brand overseas, we have opened the doors to more regional projects and further expansion. Partners have already expressed interest to work with us in other regional projects.

So here is my advice to SME owners out there: Gear up and move out. Everything you heard about overseas markets is true. It is challenging, it is difficult, but it is also worth doing.

Other companies which have taken the step to expand outside of Singapore are also reaping gains. Findings from IE Singapore's 2017 internationalisation survey showed that Singapore companies' total overseas revenue grew by 4.2 per cent in 2016 compared to 2015, outpacing growth in total revenue of 1.3 per cent.

There will be stumbles and even falls. But learning is about making mistakes and you can move up after you fall down.

As the old saying goes, "nothing ventured, nothing gained". Internationalisation is a confidence-building process – you just need to take that first step.

*Ho Toon Bah was appointed executive director of Soilbuild Construction Group in 2013. He supports the strategic growth of the group's operations and drives the development and execution of its business strategies.*

<https://www.channelnewsasia.com/news/singapore/commentary-why-a-small-singapore-construction-firm-ventured-to-10035264>