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## Contacts, consistency, credibility: developing a competitive advantage in China

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*Chreod company president Edward Lemay half jokingly refers to his Ottawa-based company as a "China company with a rep. office in Canada." The reason? Projects funded by International Financial Institutions (IFIs) in China constitute 95% of business for the provider of economic and development planning services. But getting a foot in the door wasn't easy. Chreod shares how it got the door to open -- and stay open.*

It took three years to get a foot in the door.

Set up to pursue urban development opportunities in China in 1985, Ottawa-based **Chreod Ltd.**, which provides economic and development planning services to government and private-sector clients, got its first contract in that exciting market three years later.

Retained in 1988 by the Federation of Canadian Municipalities and the Shanghai Municipal Government, Chreod designed and implemented an urban land-management training program in Shanghai. But the door to China opened wider in 1990, when the Canadian International Development Agency's Industrial Co-operation Program (CIDA Inc) took a half a million dollar chance on Chreod, as yet a small, virtually untested shop. Chreod's performance on that first CIDA Inc-funded contract -- to conduct a study under the Shanghai Land Use Management Strategy -- led to repeated contracts from CIDA Inc and IFIs, including the Asian Development Bank and World Bank.

Funded primarily by IFIs, Chreod's projects in China fall into three main categories: public policy, investment planning and market information. In the area of public policy, Chreod has worked in China on projects in economic development, urban and regional development, urban and infrastructure management, public finance, infrastructure finance, and information management.

"The key to winning IFI work is to give them the best resources available," says company president Edward Leman. "In areas where we don't have the expertise ourselves, we make sure we tap into other resources. We've worked with a number of partners, both Canadian and non-Canadian, on our projects." Creating a joint venture helped Chreod win a contract in Pudong, for example, where an Australian firm had the local experience Chreod lacked.

Of the many challenges to working in a new market, the team at Chreod stresses two equally significant ones: entering the market and sustaining a presence.

"To do a proper job of breaking into China, you must devote a year, taking four trips (of at least three weeks each) to make new contacts and learn about the market -- then you may have the credibility to help the client," advises Leman.

Derek Ireland, an economist and company director, adds: "What might work [for a new company] is to look for certain, very short-term assignments that might involve training, giving a paper at a conference -- something that someone else, the UNDP [UN Development Program] maybe, might pay for. This will help to build up credibility, background and contacts."

## **Commitment is key**

Getting a foot in the door is one thing -- albeit not easy. Keeping that door open is a matter of constantly slugging away, learning about the market and the people, making contacts and reaffirming the company's interest in and commitment to the market. Of sustaining a presence in China, Leman says: "Senior people of the company must be prepared to give a long-term commitment to China. They must be willing to commit themselves to learning, and be willing to commit the resources."

Learning about China is in itself a substantial task, given the incredibly fast pace of change in that country. Reg McLemore, an urban planner and another company director, provides an illustration of the fast-changing Chinese demographic: "In 1990, young people expected to have just one job in their lifetime, and their employer would provide an apartment. Now, young people change jobs, move around -- even from city to city -- and find their own apartments."

"Imagine the scale," adds Leman. "There are 16 million people in Shanghai -- half the population of Canada -- outside our office window. And they're going places: fast!"

The Chinese people's dynamism, their creativity, and their sincere desire for foreign knowledge has certainly enthused Chreod's principals. "We're doing the kind of work we used to do in Canada in the 1970s with DREE [Department of Regional Economic Expansion]," says Ireland. "Imagine developing an urban plan covering 350 km<sup>2</sup>: professionally, this is absolutely fascinating."

## **A statistical first**

As large as China is, it naturally features a great deal of diversity: geographically, economically, and socially. That diversity is being plotted by Chreod in the first comprehensive database on China. This extensive spatial and statistical database is based on information the team members have been gathering ever since they arrived in China. Four employees work full time

in Chreod's Shanghai office to input new and updated data.

"This database is provided a major competitive advantage for the firm," says Ireland. The data provides opportunities for in-depth analyses that were previously unavailable. IFIs, the Government of China and the private sector alike can benefit from this database. For example, in March 2001, Chreod completed an analysis of the demographic and economic data on all 910 counties and cities within the Yangtze Basin. This analysis of urban and regional development trends will be used by the World Bank to assess possible development (in collaboration with the Chinese government) of the Basin.

Chreod has earned its competitive advantage through 16 years of commitment to the Chinese market. Chreod's founders saw potential in China and strategically built up local contacts, market knowledge and local competencies that continue to be invaluable to their IFI work.

Chreod's current plans are to stick with the Chinese market -- it's too busy with its IFI contracts in China to even consider breaking into any other country.

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