

Synergy and policy key to iSoftStone Success

► Outsourcing firm continues robust growth after its founding in HSP

BY YANG CHENG AND YANG WANLI

Liu Tianwen, CEO and chairman of iSoftStone and a renowned figure in China's IT industry, says Zhongguancun Haidian Science Park has been a "strategic partner" crucial to his company's success.

Eight years ago, Liu took his dream to Zhongguancun Haidian Science Park and founded iSoftStone, a pioneer in China's IT and business process outsourcing.

"The park nurtured the greatest emerging IT enterprises in China and fostered some of the best-known, like sina.com and Lenovo," he said. "The synergistic effect of the park is attracting more and more enterprises to join with us. And this, in turn, will bring us more opportunities."

Liu's startup received 500,000 yuan in support from the administrative committee of the Zhongguancun Haidian Park.

With an MBA from the MIT Sloan School of Management, he has the background to recognize the quality services Haidian park provided for freshly graduated students with



Liu Tianwen

entrepreneurial dreams.

"The 'soft' environment of the zone is pretty good," he said. "Officials at the park try to channel funds for us and provide the most favorable policies."

A group of top graduates from prestigious universities in Haidian such as Tsinghua and Peking University also encouraged Liu to start up in the science zone.

Liu said iSoftStone is now planning to build new buildings for its headquarters in the park. Even through a number of new hi-tech, economic development areas in Beijing are offering inducements and preferential policies, Liu said he will not leave Haidian.

From small operation with

only 60 sq m to an industry giant with a 20,000 sq m office today, iSoftStone's professionals believe they are growing with the park.

"The area has strong vitality," said Liu. "It has also become a recognized international brand which will no doubt help us in further development."

Meng Hui, senior director of strategic development at iSoftStone, told China Daily that "staff members of the administrative committee have strong awareness of service, providing their helping hands in time".

"They are not only help us seek new investment, but also give us many opportunities to expand our market through efficient publicity."

The park's administrative committee solicited opinions after the onset of the global financial crisis and adopted policies for software outsourcing firms, Meng said.

Innovation crucial

Liu is attending the ongoing 2009 Davos Forum in Dalian, and as CEO of a market leader, he has intense interest in its key topics — addressing societal needs through innovation and driving economic growth through science and technology.

Instead of complaining about economic circumstances, Liu believes fundamental changes for an industry and far-sighted

companies are always created in crisis.

"Few people who will think about enormous changes when times are good," Liu said. "The financial crisis gives us a period for contemplation."

He asserts that the period after a crisis is the turning point for enterprises searching for new growth — and innovation is crucial.

"We don't have to follow the old business pattern of Western countries," he said. "Because China is doing well in its own industrial transformation. We can adjust the industrial structure while keeping the growth in income."

For innovation in Liu's own company, he noted the firm currently has a joint research project with Microsoft on product development.

Stronger innovation required in the hi-tech sector is also driving employment growth, even during the financial crisis.

iSoftStone staff increased from 4,500 of year-end of 2008 to the current 6,500.

Strategy

Top hi-tech venture capital firms Sequoia, AsiaVest and Fidelity have also bet on iSoftStone. AsiaVest provided \$14 million in capital to iSoftStone to the company in 2007.

Liu noted that its business in China, Europe and the US all



The building of iSoftStone in the Zhongguancun Haidian Science Park

increased this year.

The company also has more work booked due to infrastructure construction and the emerging 3G market demand in China. The nation's deepening financial reform and increasing infrastructure construction also paved the way for IT outsourcing.

It has had new contracts and stable growth Europe and the US, partly due to multination-

als' rebalancing of IT outsourcing budgets between India and China.

iSoftStone saw remarkable growth of more than 100 percent and sales of \$100 million in 2008.

Sales in the first half of 2009 have surpassed projections. Liu predicted a 60 percent increase over 2008 for the entire year.

Liu admitted that a bottleneck for his company is human

resources. "Now we have to train our staff members to be the ideal personnel that we need."

"India is another big country successfully doing IT outsourcing and business process outsourcing, and we still have a distance to catch up with them," Liu said.

"They have larger scale and richer international experience in the industry, something we need to improve."



An illustration of a water treatment and scenery project along with the Bird's Nest launched by OriginWater, covering 165,000 sq m

Robust growth through purified water

BY YANG CHENG

To be in Haidian is to be better positioned for the world.
— Slogan for the Zhongguancun Haidian Science Park

The saying reflects a common dream of ambitious entrepreneurs at the park — to join the ranks of internationally competitive hi-tech companies that are revolutionizing business in almost all sectors. Some might even dream of changing the world.

Wen Jianping, chairman of Beijing OriginWater Technology Co Ltd, is one of park's promising trailblazers who has developed a visionary product.

He has built the company into one of only three in the world that can make state-of-the-art membrane bioreactors to purify water.

Wen chose Zhongguancun for his base at the company's startup after earning his PhD in Australia in 2001. "It (Zhongguancun Haidian Science Park) is a land to realize my dream. For people who hope to industrialize their technology, they need a strong cultural atmosphere and a broad international horizon."

More often simply called Haidian park, it one of the nation's first "core" independent innovation sites, and a place Wen says was ideal for his enterprise to evolve.

Haidian park is the leading area in the larger Zhongguancun Science Park, which was one of the first national innovation "model" parks. It has five parks under its administration.

Haidian park's national status shows it has great backing and strength.

"It has a top policy environment and tailored services for enterprises," Wen said.

What impresses him most is "the administrative committee's sincere support for enterprises exploring their markets".

From his perspective, preferential policies supply "nourishment", but real support at the park comes through assistance in acquiring more business, often in an intensely competitive environment with foreign counterparts.

The Beijing municipal government began a program this year to purchase independently innovative products from Zhongguancun park on trial basis. Most of the products were born at Haidian park.

The approach has given hi-tech companies more opportunities along with recognition of independent property



Wen Jianping

rights and research. The municipal procurement plan also helps shoulder some of the park administration's risk.

Wen and other entrepreneurs laud the move. He was delighted that OriginWater won the bid on a 60 million yuan water treatment plant on the Beixiaohe River north of the fourth ring road in Beijing. He said the company can help the government save hefty funds and create a much cleaner water environment in China's capital city.

The first phase of project was built by German engineering giant Siemens, one of OriginWater's top rivals.

Another opportunity came through a visit by Wen and some 30 company delegates to Wuxi in Jiangsu province last year led by the park's administrative committee.

The Wuxi city government found Wen's water treatment technology would improve its water environment and inked a project with OriginWater.

"Before the official trip, we had tried very hard to knock down the doors of local authorities — but generally they didn't believe in my technology," he said.

The chairman said he is not only a beneficiary, but also a real witness to Zhongguancun's rapid development.

Wen has seen enterprises "evolve from small to giant, from strength to strength, and their vision became much broader".

"The industrial structure has been upgraded," Wen said. "In its early days, the park was a concentration of IT enterprises, but it has now developed a complete industrial mix including new energy, environmental and cultural companies," Wen noted.

Rapid development

Eight years ago Wen set up his company in Zhongguancun with a regis-

tered capital of 2 million yuan, which has now grown to 110 million yuan. The company's net profits hit 70 million yuan last year, and driven by follow-on income from projects associated with 2008 Olympics Games, is expected to exceed 80 million yuan for 2009.

OriginWater now has 60 percent of the market for such water purification equipment in China. Its main rivals are Siemens and a subsidiary of Dow Chemical Co, which have exported their technologies to the Chinese market for decades.

OriginWater has won a number of accolades including as National Innovation Enterprise, the 2006 and 2007 Excellent Environment Engineering Company and named to Forbes magazine's list of China "Up and Comers" in 2009.

Its projects include the water treatment system for the National Center for the Performing Arts and an important Olympic infrastructure project that brought water from the Wenyu River to the Chaobai River in Beijing.

The project is now the world's largest facility using membrane bioreactors to treat 100,000 tons of water daily, significantly improving the city's water quality, scenic setting and underground water.

OriginWater also built the nation's first membrane bioreactor wastewater treatment facility, in Miyun county in Beijing, which can handle 45,000 tons of effluent a day.

It is planning to build a 14,000-sq-m R&D lab at the Life Science Park in Zhongguancun expected to go into operation next August.

It also has a 55,000-sq-m fabrication facility in Huairou county that required an investment of 500 million yuan.

Wen said his company's bottleneck now is its current production scale, which if it can be expanded at faster pace, will enable the company to extend its reach further, and then overseas.

The chairman has been able to attract many top professionals who were laid off by rival international companies due to the global financial crisis.

In the company's early years, Wen did extensive research as part of a plan to take OriginWater public on an overseas market.

He still has the data and plan and hopes to list the company on Growth Enterprise Board in Shenzhen.

Wen was invited to this year's Davos Forum, but cannot attend due to work commitments. Market insiders say he often keeps low profile and is dedicated to his company's progress.

Capinfo: Building success in IT infrastructure

BY YANG CHENG AND HAN TIANYANG

Wang Xu was the last employee hired by Capinfo Co Ltd when it was founded in 1998 with 43 staff members — but it's fair to say he has done well.

He is now president of the Hong Kong-listed company that provides urban database and administration services.

For the past decade, the 40-year-old PhD in economics and management from prestigious Tsinghua University has not only experienced his own personal promotion, but also watched the growth of Capinfo, which is owned by the Beijing municipal government.

The rapid expansion of Capinfo and Wang's personal advancement reflect the pace of growth at the Zhongguancun Haidian Science Park where the firm is headquartered, a growth rate rarely equaled in other areas in the Chinese capital, observers say.

Wang could be a poster figure for Zhongguancun's new entrepreneurs — young, smart, promising and independent. He said he prefers the style at the "Summer Davos" World Economic Forum, which he is attending. Its delegates register by themselves and handle their own luggage.

Wang said Capinfo chose to locate at the Haidian Science Park because it offered many preferential tax policies for startup hi-tech enterprises and nearby universities and research institutions that provide abundant human resources and a good environment for innovation.

"Zhongguancun is like a 'Silicon Valley' in China, where hi-tech industries, especially IT companies, have gathered to form an aggregate effect," Wang said. "We have competitors as well as partners here. We learn advanced experience from our counterparts inside the park."

"Ten years or even longer ago, Zhongguancun was noted for the Hilton Mansion, where all kinds of computers and parts could be found at a cheap price. Today the mansion is still there, but the park has become a combination of private, State-owned and even foreign hi-tech enterprises."

The cluster of top companies has given the park a critical mass difficult to match elsewhere in China.

New business model

The company has implemented major e-government private network information and database projects in Beijing for social security, healthcare, emergency response and other community services.

Capinfo built the first Beijing municipal government website, Beijing.gov.cn, in 1998, followed by the Beijing hotline in 2001.

"We are proud to carry out these projects for the people's well-being," said Wang.

As the multilingual services supplier for the Beijing Olympic Games, Capinfo provided comprehensive information to the international public, especially foreign athletes and



Wang Xu

visitors, to overcome the language barrier.

Wang told China Daily that Capinfo has had a sound business performance for the past three years, with average annual sales of more than 300 million yuan.

The firm has made a profit of about 50 million yuan last year. Wang predicted that Capinfo will maintain stable growth of 15-20 percent in the coming years.

"Our sales revenue in the second quarter has seen an increase of 50 percent year-on-year," he said. "Sales growth despite the financial crisis is largely due to the nature of our businesses, which are mainly based on the rigid domestic demand."

Wang is in fact very optimistic about future domestic demand, which will present huge opportunities for his company.

"For example, along with the urban-rural integration, more people will need to participate in the social security system, so the demand is solid," he said.

"As long as we can meet the customer's needs with satisfying services, the company will have sound progress."

Yet Capinfo faces challenges, the biggest of which is its 10-20 percent annual growth rate compared to counterparts that have had annual growth of 40-50 percent.

But he is certain of steady progress due to Capinfo's business model, which builds, owns and operates sites, an approach known as BOO. The company first invests to build an information system and then gains payment in maintenance and upgrade from its services to customers, mostly in the government sector.

The Capinfo management team learned the business model from United Bank of Switzerland during an overseas tour.

Compared with the traditional models, in which customers buy and own the system, the BOO mode offers clients the advantage of ease.

"It's just like living in a ready-made and well-decorated house," said Wang. "You don't need to bother with how the house will be built or decorated, you just move in and pay."

"We made our own contribution to the Haidian park by introducing the BOO mode, which will be the mainstream, and what we have to do now is to advertise this kind of service to more people and to attract more customers."

The BOO model has been applied to Beijing's medical insurance information system, community management information system, and Beijing.gov.cn. Wang hopes the approach will be used in more fields such as managing the public fund for housing construction and others.

Compelling culture

Wang and his colleagues next plan to use the Internet to expand their businesses to other regions of the country.

"We are now in the research stage and cooperating with other Internet-related companies in Zhongguancun to find a proper way to expand our services across China."

Facing fierce competition, Wang believes that the Capinfo slogan "All value comes from professional services" will be the secret of its success.

"To provide high quality services, we have always met certification standards like the IT Infrastructure Library and ISO9001," he said.

Wang noted the BOO approach requires a particularly strong service culture because Capinfo bears the risk that clients may drop the service after learning techniques in operating the system or hire lower-priced companies to help with the operation.

"Our enterprise culture is to grow together with customers, learn their businesses and follow their needs," he told China Daily. "Because of high quality service and good reputation, we have not lost one customer so far."



Capinfo has become a recognized brand in China.