

BMax Consulting Moves into Southeast Asia¹

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Introduction

It was mid-2018 and Mark Peters and Katy Lawrie, co-founders of BMax Consulting, were contemplating which market their company should target next. “We never really set out to be a global company; it just sort of happened, didn’t it?” Peters thought out loud. “Yes, but now that we *are* somewhat global, what should we do about the idea you were telling me about from your friend Pete Browning?” replied Lawrie.

With a modest labour force spread across three countries, the decision of where to go next generated both excitement and trepidation for everyone, but especially Peters and Lawrie as each major decision – and all the implications that come with it – ultimately rested on their shoulders. “There’s a case to be made for taking our time and establishing ourselves in our current markets – we can dedicate ourselves to our clients and really build the company’s name,” said Peters, after pausing to reflect on Lawrie’s point. Lawrie replied offering an alternative: “Sure! But now that we’ve got someone with an understanding of the Asian context, we could spread our reach further, couldn’t we? The trouble is, if we do this, we’ve got to act fast because I know that many of our rivals are looking at places like Vietnam and Indonesia, and we don’t want to get left behind, do we?” Indonesia, together with Singapore and Thailand, were the three markets under closest consideration, with Vietnam and China also deemed worthy of contemplation. However, because there was so much variation across these countries, deciding which of these to enter was a complex matter. Peters and Lawrie agreed to speak with their country manager in Malaysia before making their final decision.

¹ *Disclaimer: The case is based on interview data from ‘Pete Browning’ (a pseudonym) and public sources as noted. The case was prepared for the purpose of class discussion. To maintain anonymity, certain names and other identifying information have been disguised but the events as described are faithful to reality.*

A Brief History and Background

BMax was a small to medium sized consulting firm, with a global turnover of just under \$1m per annum. It was founded in 2012 in Topeka, Kansas by two partners, Mark Peters and Katy Lawrie, a Belgian with permanent resident status in the United States and a US citizen respectively. Initially they focussed on just two sectors, because of their own experience, Aerospace and Oil & Gas. The company offered advisory service in three areas: market research, strategy development and organisational performance management.

In 2014, the partners determined to move their headquarters to Cincinnati, Ohio, at which time they added advisory services for the construction and manufacturing sectors to their portfolio. Subsequent to this relocation in Cincinnati (with, at the time of writing, a staff of 12), further overseas offices were established in Vienna, where they employed just one person, and from January 2016, on the Malaysian island of Penang, just off the country's northwest coast (see Exhibit 1). In 2018, the local office in Penang comprised two full-time staff, the partner for Southeast Asian business, Pete Browning, an American with long experience in East and Southeast Asia and a local Chinese Malaysian man. Additional contract staff were hired 'as required'. Annual billings for this new region were in the range of \$100k-150k.

How BMax Sdn Bhdⁱ Was Born

According to Pete Browning, the addition of the Southeast Asian arm to the business was not a result of a carefully designed strategic move but a chance event, or in his own words 'relationship driven'. Browning had worked in the region for more than twenty years and was based in Hong Kong and then Singapore. Since the early 2000s, he had worked as General Manager (Southeast Asia) for Stanley Black & Decker. By 2015 he found himself fed up with corporate life and felt that he wanted a new challenge while he was still reasonably young and energetic. He and Peters had known each other for many years having at one time worked together for Hilti, a global, Lichtenstein-based power tool and fastening company. Browning also knew that by 2015, BMax had a small number of clients in Malaysia which were served from the USA. He proposed to Peters that he should join BMax, with a brief to look after clients in Southeast Asia and to develop the business there and perhaps westward into the sub-continent.

With the idea of the new branch in place, the next question was where to locate it. As well as a home in Chicago, Browning owned apartments in both Singapore and at Batu Ferringhi, an up-market neighbourhood in Penang around 10 miles from the state capital of George Town on the island's north shore (see Exhibit 1). Thus from his point of view either Singapore or Penang were options. He advised that they should base themselves in Penang for two key reasons. The first was that he already had a base there. Penang had a strong industrial base, including significant foreign investment, and had very few consultants in contrast to Singapore. The company would not have to cope with Singapore's registration system for consultancy businesses, a slightly curious affair whereby ability to cite the existence of previous clients was a criterion for registration. Other attractive features of Penang were its relatively low cost of living, not just compared to Singapore but also to Kuala Lumpur (KL), as well as its transport connectivity (Penang Economic and Development Report, 2017/2018ⁱⁱ). While Penang could not compete with Singapore in terms of global transport connectivity, it had good access to KL and the Klang Valley (KL's industrial factory base)

and of course to firms within the state itself, both on the island and across the harbour in Butterworth, in the mainland section of Penang (Exhibit 1).

A Resumé of Current Malaysian Clients

As at October 2017, BMax had three main current clients in Malaysia whose operations are described briefly below.

Company A was a local, Penang, family-owned trading company making electrical supplies run by its third generation of Chinese Malaysian owners, the Lee family. The firm was in many ways a typical Chinese family operation in its thinking, with all the expected Confucian values that it embodied, including the preservation of the family's business philosophy through explicit teaching and the early involvement of children in the family's business activities (see, e.g., Redding, 1993). BMax became involved when they were asked to advise on the company's strategy development shortly after one of the sons was told, "it's your turn to take over soon." The young man envisaged an online presence as their primary sales channel. This was a key aspect of what BMax looked at and after due analysis they recommended that such a move would be the right move to make – perhaps on a 70:30 balance in favour of online sales. However, the senior Mr Lee demurred and in typical Chinese patriarchal fashion announced, "I don't agree with this online stuff; we do what we do as we now do it. That's final." This diktat had two effects: the junior Mr Lee was frustrated and, both he and BMax thought the Lees had wasted their money engaging them if the senior Mr Lee just was not prepared to listen.

Company B was another firm looking forward and beginning to think about the new, digital world order. Their business, owned by expatriates in Malaysia, was traditionally in the area of print media, which was their main source of revenue when they hired BMax. Their range of magazines, newsletters and flyers, though popular among locals and expatriates alike, had undergone little change since the 1990s, but were now facing a new type of competition in the form of online rivals and even individual blogs, which were increasingly creative and informative and, most importantly, just a mouse click away. Realising that the world around them was going digital, Company B was open to advice on the way forward in the new digital order. BMax, and Browning in particular, being a proponent of the use of modern technologies among small businesses, were central to the firm's move to establishing a solid online presence, advising on a diverse range of issues, from website design and layout to the appointment of a full-time IT director to oversee matters.

Company C was the Malaysian subsidiary of a US company making components for items such as mobile phones, automobiles and the like. Part of their portfolio was making plastic and metal prototypes for phones and locks for high-end cars like BMWs. Their manufacturing plants were located in Mexico, South Africa and China (two). Their Southeast Asian sales were mainly in Penang and Bangkok (Motorola in the latter case). As BMax came into the picture, their de facto strategy was one of local fiefdoms in an increasingly global environment, similar to a set of global strategic business units (SBUs). The result of this was that local sales teams tended to report directly to local/regional plants. How they might best reorganise was BMax's assignment.

While these were the key BMax clients at that juncture, a point worth noting was that Browning was good at and liked doing what he called his coaching work, working with executives, which was distinct from strategy development, and which he had been doing for

many years while working in the region. Some of this work could be of very short duration, a day or less even, often revolving around the issue of ‘unconscious habits’, which Browning recognised were central to many firms’ struggles (if they were bad habits) or successes (if they were good habits and could be further reinforced).

Where to next with the Southeast Asian Venture

Southeast Asia was home to a great diversity of markets, from the small but fairly prosperous sultanate of Brunei to the fourth most populous country on earth, Indonesia. There were extremes in an economic sense as well, with Laos (2018 GDP per capita: \$2,569) and Singapore (\$64,821) sitting at either end of the spectrumⁱⁱⁱ. Thus, expanding within Southeast Asia would involve stepping across vast discrepancies entailing cultural, linguistic, legal, political, and economic factors.

After analysing the aforementioned data, Browning narrowed in on three options: Singapore, Indonesia, and Thailand.

Singapore

Having spent many years working in Singapore it was only natural for Browning to include the city-state on his shortlist. Personal networks and familiarity were of great value when it came to the challenging task of setting up a business in a foreign land. But there were other positive factors that Browning considered, the first being Singapore’s business-friendly atmosphere and infrastructure. The World Bank’s 2018 ‘Ease of Doing Business’ (World Bank, 2018a) placed Singapore second after New Zealand when it came to various business-related activities, such as ‘starting a business’, ‘dealing with construction permits’, ‘registering property’ and ‘paying taxes’. The country was also politically stable, with the People’s Action Party dominating politics since 1965, the year of independence. Financially, Singapore in 2017 was, according to the World Bank (2017a), a high-income economy with a gross national income per capita of US\$54,530 – far above the regional average, with an annual growth rate of just over three per cent. Singapore had also recently been ranked the best country in the world in the World Bank’s Human Capital Index, thus indicating that the country had invested strongly in its citizens’ education and health. Another source of background was Transparency International’s Corruption Perceptions Index (CPI). In the 2017 edition (Transparency International, 2017), Singapore ranked 6th, with a rating of 84 out of 100. The level of English proficiency also appealed to Browning, as he was not particularly fluent in any of the region’s languages, despite his long presence there. In terms of the ‘hard’ infrastructure, Singapore’s efficient public transport system, airport and shipping facilities, and technological framework were commendable not only when compared to others in the region but even on a global scale. These factors had contributed to Singapore’s appeal as a destination market among consultancy firms, including smaller sized ones such as BMax (Consultancy.Asia, 2018a).

Despite these positives, Browning had some concerns, principally of a financial nature. He had recently read the World Bank’s (2017b) description of Singapore as being ‘among the world’s most competitive economies’. As a result, it would be a challenging place to do business. What was more, competition on the ground from other consulting firms was also likely to be acute. Source Global Research (2018) had only recently referred to the industry there as reaching a point of saturation that was pushing firms to consider *other* markets in the region. The management consultancy market in Singapore was densely populated, as just stated. The participants ranged from the big name, specialist strategy advisory firms such as

McKinsey, Boston Consulting Group, A.T. Kearney and Bain & Co., through the consulting wings of the major accounting firms such as KPMG and Deloitte to smaller firms. The small firms include operations from groups of 20 or more consultants, through firms on the same sort of scale as BMax to literally the 'one-man bands'. An example of the latter was Graeme Hogg Advisory Sdn Bhd^{iv}. This little company comprised the named owner as the sole consultant and his wife as co-director and part-time administrative officer. It was registered in KL but Hogg actually did most of his work in Singapore simply because he found it easier to find clients there with a need for and willingness to engage a specialist in strategic IT systems (and by extension strategy). Singapore was readily reached by a 45-minute flight from KL.

On the one hand it could be argued that the big four strategy advisory firms named were the obvious choice from whom to seek strategy advice but they are expensive and as such not geared to the needs of small firms. Perhaps, thought Browning, this was not yet the time to try their luck in Singapore.

Indonesia

Indonesia presented a completely different set of opportunities and challenges. Though Browning had minimal knowledge and experience there (in comparison to Singapore, at least), he recognised the growing presence of Indonesia in the international business arena, having recently read HSBC's (2018) international business guide to the country. That there was something of an 'infrastructure boom' under way in the country (Oxford Business Group, 2018) made things more tempting still. An emerging economy with a large and growing middle class (World Bank, 2017c), perhaps this was the ideal time to get into the market, especially as the consulting industry there was predicted to grow quite significantly in the years to come (Consultancy.Asia, 2018a). Browning felt that the island of Java (see Exhibit 1) represented the most intriguing location for BMax to consider. Home to urban centres like Jakarta and Bandung, Java was the most popular of Indonesian islands among global corporations seeking to penetrate the wider market and would likely be chosen as BMax's entry point to the country.

Notwithstanding its potential, Browning was not entirely at ease heading into what was for him an unfamiliar and unpredictable market in which English was not as widely spoken as it was in Singapore and Malaysia and where he had few contacts. Would it be too big a jump into the unknown, he wondered? Compared with Singapore, Indonesia's infrastructure, both of the 'hard' (transport links, technological base, etc.) and 'soft' (education, law enforcements, etc.) variety, was severely lacking. The country's GDP per capita in 2018 (less than US\$3,900) was considerably lower than that of Singapore's, though this figure was in fact growing quite rapidly in comparison (just below four per cent in 2018). Worryingly for Browning, Indonesia was ranked 71 places below Singapore in the aforementioned Ease of Doing Business report of 2018 by the World Bank. Though he was a seasoned international business manager, Browning's experience had been in countries that were fairly 'easy' to do business in, and where English was widely spoken: the United States, Singapore, Hong Kong, and Malaysia, which came in at 24 on the list. Indonesia would, he feared, be a totally different proposition. That Indonesia was ranked 89th in Transparency International's 2017 CPI, with a score of 37, did little to ease his concerns, though he felt slightly reassured to learn that there had at least been some pockets of success in the government's anti-corruption drive, known as the Corruption Eradication Commission, or *Komisi Pemberantasan Korupsi* (Abbot, 2017). Were Browning and BMax not yet ready for such a challenge or would it be better to 'get in the market' early and establish networks and connections ahead of potential

rivals? Browning wasn't sure. Some western businesses were convinced that Indonesia was moving 'in the right direction'. One UK-based multinational firm's spring 2018 assessment^v was that, inter alia:

- There was a rapidly growing middle-income group.
- The government had invested heavily in recent years in the country's infrastructure, including highways into and around the capital Jakarta. It upgraded existing airports and made sure its many islands had airports delivering intra-country links.
- In recent years the government had worked hard to eliminate the all-too-pervasive corruption.

Thailand

Thailand was generally regarded as a more developed economy than Indonesia. World War II and the subsequent Vietnam War were instrumental in its 20th century industrialisation. For example, a number of the country's regional airports were developed around long runways built by the US Army's Corp of Engineers in the 1960s to service US aircraft flying missions over Vietnam, Laos and Cambodia. These factors had contributed to a reasonably impressive 26th position in the World Bank's 2018 'Ease of Doing Business' report. There was a well developed pool of educated personnel, educated both in Thailand's universities and abroad (mainly in Australia, the USA and the UK). While these were attractive features for firms in many service industries, consultancy firms were, in recent times, found the market particularly appealing not just in its own right but also as a base from which to serve clients across the region (Consultancy.Asia, 2018b). International communications links, while not as renowned as Singapore's, still provided a rich set of air-links both within Asia and beyond, thus making the capital city a probable location should Thailand be the chosen market. With a GDP per capita growth rate of 3.861% in 2018 (higher than Singapore, slightly lower than Indonesia), the medium-term prospects seemed favourable as well. Bangkok's burgeoning set of urban rail lines (over- and underground) made it possible to avoid the still prevalent traffic jams and get to meetings in town on time. There were motorways affording access to industrial hubs such as Samut Prakan and Ayudhya, and down to off-shore oil and gas businesses and their on-shore complements near Rayong on the east shore of the Gulf of Thailand. These centres and the city of Korat (Nakhon Ratchasima) were all within 150 miles or so of central Bangkok. Having visited the country several times as a tourist, Browning was also comfortable with the social and security environment, which was, to him, no small matter.

At the same time, though, Thailand was mired in comparative uncertainty on the political front, four years into the military government's seizure of power in May 2014, with the East Asia Forum (2018) describing the situation as being likely to 'remain unsettled, unbalanced and inherently unstable' – not exactly words of encouragement for Browning. Moreover, Human Rights Watch (2018) had recently highlighted questionable records on human rights, censorship and free expression. Thailand ranked 99th, level with Indonesia, in the CPI with a score of 37. This reflected the fact that there was indeed widespread corruption^{vi}, much of it in and around the government but for the foreign business manager life was not too hard. For example, banks operated transparently and efficiently. Nevertheless, Browning was also uncomfortable to learn that English proficiency was worsening in Thailand (Bangkok Post, 2018). Furthermore, despite the aforementioned infrastructural achievements, some industry analysts were sceptical of the benefits accruing from them, at least in the near term (Sathirathai, 2015). Finally, though he had been to Thailand many times, his visits were

almost all recreational in nature – in other words, he lacked business networks and experience in the country.

Looking further afield: Vietnam and China, additional possibilities?

After pondering on the possible pros and cons of each of the three markets, Browning began casting his thoughts a little further afield. The two markets which were beginning to come into focus in his mind as further possibilities, albeit much less likely than Indonesia, Singapore and Thailand, were Vietnam and China.

But could BMax (Southeast Asia) still be a success? That remained the question. Put another way might it still be worthwhile for Peters and Lawrie to expand further into Southeast Asia? If so, where should they go – Singapore, Indonesia or Thailand? What about Vietnam, a fairly large country (over 95m in population) undergoing rapid economic development (World Bank, 2018b), with comparative political stability (PricewaterhouseCoopers, 2017) and whose digital economy infrastructure was described as resembling ‘a dragon being unleashed’ in a 2018 report by Google and Temasek (Lazarus, 2020)? On the other hand, English was not widely spoken, there were skill shortages among the labour force (Montague, 2013), and the technological infrastructure was some way behind the likes of Singapore. Vietnam also did not hold much appeal for Browning based on both its ‘Ease of Doing Business’ (68th) and CPI (117th) rankings. Despite a strong growth rate, GDP per capita at the time was rather low (US\$2,566^{vii}). More worrying still was Human Rights Watch’s (HRW) 2018 Report that highlighted a serious deterioration in human rights in 2017. To compound matters, Browning had no existing business contacts, which was an important consideration for him.

Alternatively, perhaps they could look beyond Southeast Asia, and specifically at the ‘rising technology powerhouse’ (Li, 2018) that was China, which was home to a large and rapidly expanding domestic market, a relatively high GDP per capita (US\$9,976^{viii} - a figure which in 2018 was growing at over 6 per cent per year^{ix}) and which boasted various investor-friendly policies and an increasingly talented pool of human resources (Ma *et al.*, 2016; Wu and Burge, 2018). Despite these positives, Browning recognised the censorship, regulatory and cultural challenges BMax would likely encounter, particularly as an SME (Business Insider, 2010). In terms of ‘Ease of Doing Business’, China was ranked 78th – 10 places below Vietnam. (In fact, among all the countries being considered, China was right at the bottom.) While it fared better than Vietnam in the 2018 CPI rankings, being 87th in the world was not exactly a strong endorsement. Underlining the hesitations Browning had about China, the 2018 HRW Report had devoted nearly 15 pages to the country, highlighting concerns from what was happening in Xinjiang to its records on censorship. Finally, despite having previously lived in Hong Kong, Browning had little experience and almost no contacts in the Mainland, which he felt was particularly problematic in this market.

Time for a decision

So, where in the region should BMax go next: Singapore, Indonesia or Thailand? That was the question playing on Browning’s mind. With a keen interest in cross-cultural management, Browning wondered whether comparing the countries on the *Hofstede Insights* (<https://www.hofstede-insights.com/>) country comparison tool might help him in his deliberations. It should be noted, however, that some MNCs look primarily at the market and what it has to offer, simply taking issues such as cultural distance as operational problems to be handled if and when they arrive. Culture significantly influences people’s thinking,

communication and behavioural patterns and plays an important role in cross-border business. Working with and among others who share similar norms and values is typically an easier prospect than working with people whose languages and worldviews are markedly different. After running the comparisons among the countries on *Hofstede Insights*, however, he felt none of the markets particularly stood out from the rest in terms of their proximity to his home country, the United States.

The range of market options was large and diverse, which actually made choosing one all the more complicated. But it was a decision that would have to be made, if an expansion in East/South East Asia were indeed to come to fruition.

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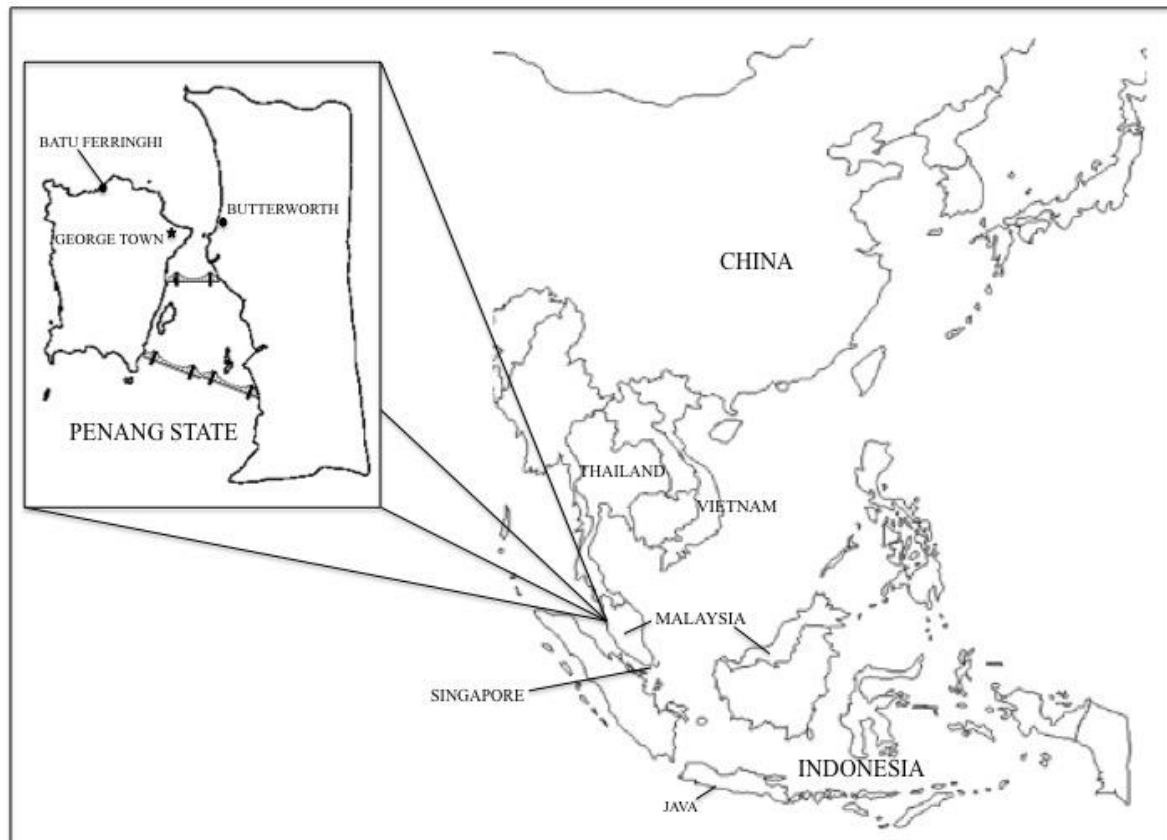
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ⁱ Sdn Bhd is shorthand for *Sendirian Berhad*, Private Limited.

ⁱⁱ For more on living costs vis-à-vis KL, see e.g. p.83; for transport connectivity see pp.55-57 and pp.70-71.

ⁱⁱⁱ All GDP per capita figures from the UNCTAD statistics database at: <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96>

^{iv} Name changed for reasons of confidentiality

^v Based on private communication from the regional managing director of a well-known multinational enterprise.

^{vi} According to some estimates, passed on by word of mouth, 30% or more of all government spending disappears in corrupt payments. The prime minister of the then current military government announced a war on corruption in public business in early March 2018. Only time will tell how big an impact the policy will have, especially if the same government were to honour its pledge to hold fresh elections by February 2019.

^{vii} UNCTAD: <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96> (accessed 23 April 2022)

^{viii} UNCTAD: <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96> (accessed 23 April 2022)

^{ix} <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG?locations=CN> (accessed 23 April 2022)