

MAKING FOREIGN PARTNERSHIPS WORK



BACKGROUND

- Many developing countries have offshore consulting firms carrying out works in their country; many in partnership with locals.
- Are these partnerships beneficial and who do they benefit? There have been many who say that the local partners are the poorer for it.



BACKGROUND

- The origin of SMHB Sdn Bhd can be traced back to December 1961 when Binnie & Partners in London, the principal engineering consultant in the UK specialising in water supply, opened a design office at the Merlin Hotel in Kuala Lumpur.



BACKGROUND

- At that time, Malaysia had recently gained its independence in 1957 and it was time to build the nation.
- The first engineering faculty in the University of Malaya was set up in 1958.
- The Institution of Engineers Malaysia was set up in 1959 followed by the Association of Consulting Engineers Malaysia (ACEM) in 1963.



BACKGROUND

- Much of the construction works in the early years after independence was carried out by the Public Works Department with the help of mainly foreign offshore consulting firms.
- Many of these consulting firms set up offices in Malaysia, among them being Binnie & Partners, Steen, Sehested & Partners, Ove Arup & Partners and Preece, Cardew & Rider.



BACKGROUND

- Local consulting firms also started up during this time but most were small and were unable to compete with the larger foreign firms who also had access to staff and expertise overseas.



BACKGROUND

- There are no real records of the number of consulting firms in the early 1960s but we estimate that there were about 30 – 40 firms mostly with only a few staff with a few larger firms having staff strength up to 50.
- Today, there are about 1000 consulting firms in Malaysia ranging from a few staff to about 500.



SMHB – CHRONOLOGY OF EVENTS

- Binnie & Partners (Malaysia) was formed in early 1962 with an office located in the newly constructed Mercantile Bank Building in Medan Pasar, Kuala Lumpur.
- In 1965, Binnie & Partners (Malaysia) became the first independent overseas partnership of Binnie & Partners (London).



SMHB – CHRONOLOGY OF EVENTS

- In 1967, the Registration of Engineers Act was enforced in Malaysia. A name change was carried out to Binnie & Rakan.
- In 1973, Mr. Hooi Kah Hung became the first Malaysian to join the partnership of the Firm and in 1975, Tuan Syed Shahabudin joined the partnership as the second local partner of the Firm.



SMHB – CHRONOLOGY OF EVENTS

- In 1979, the Mechanical and Electrical Department of the Firm was set up.
- In 1980, Binnie & Partners (London) relinquished their role in the management of the Firm as a further step towards localisation. The Firm was re-structured as a private company limited by shares and its registered name was Syed Muhammad Hooi dan Binnie Sdn. Bhd. (SMHB).



SMHB – CHRONOLOGY OF EVENTS

- In 1987, the last British resident director returned to the UK and the firm became wholly managed by locals.
- In 1995, Binnie & Partners (London) was taken over by the consultancy arm of Black & Veatch and was re-named Binnie Black & Veatch (BBV). The directors of SMHB decided not to enter into any formal relationship with BBV.

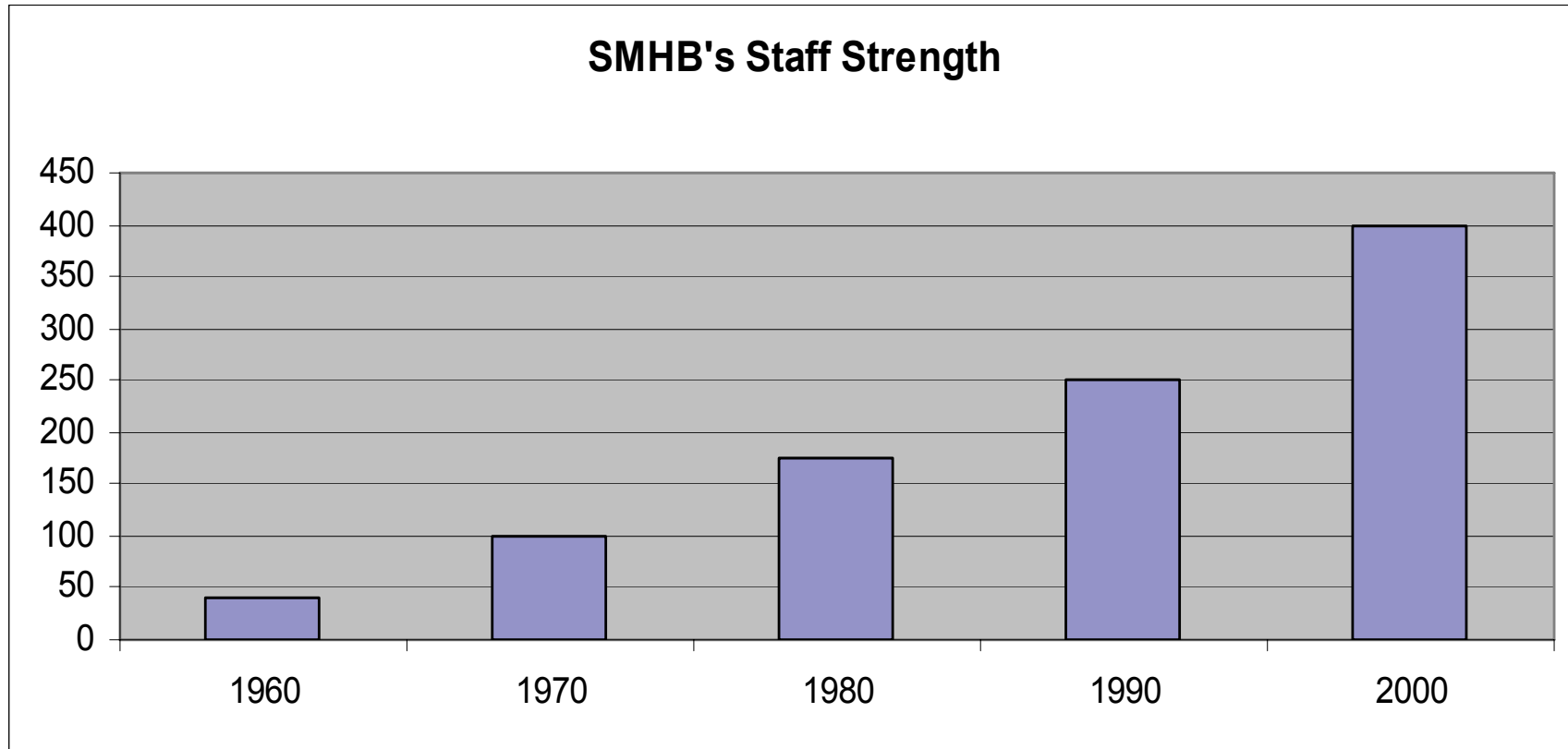


SMHB – CHRONOLOGY OF EVENTS

- In October 1995, Syed Muhammad Hooi dan Binnie changed its registered name to SMHB Sdn Bhd and at that time SMHB became a firm wholly owned and controlled by Malaysians.



EVOLUTION OF SMHB – STAFF STRENGTH



EVOLUTION OF SMHB – AREAS OF EXPERTISE

- In 1962, when the Firm started, our area of expertise was in water supply which was the expertise of Binnie & Partners (London).
- The Firm started as a design office for assignments awarded to Binnie & Partners (London) with the principal design staff seconded from UK. Seven local engineers were employed to assist the principals.



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EVOLUTION OF SMHB – AREAS OF EXPERTISE

- As the Firm took up more projects in Malaysia, Brunei and Singapore, more local staff were employed and in 1969, three Malaysian engineers became associates in the Firm taking up design responsibility for projects in the firm.
- In 1975, the Firm expanded its activities to cover other water related areas including sewerage, water supply studies and drainage and irrigation works.



EVOLUTION OF SMHB – AREAS OF EXPERTISE

- In 1982, the Firm successfully expanded its activities into areas which were non-traditional for Binnie & Partners (London) ie. highways and infrastructure works.
- In 1989, the Firm also set up a division to handle environmental impact assessments.



LESSONS LEARNT

- SMHB's story is not unusual in Malaysia. Many of the larger consulting firms in Malaysia started off as foreign owned firms which were then localised.
- The years just after independence was a period of growth for the country. There were many projects which required the services of a consulting engineer. As a result, a number of foreign consulting firms decided to set up office in Malaysia. It is important that the country has a **robust economy** to sustain a longer term approach by foreign consulting firms.



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LESSONS LEARNT

- Both partners, foreign and local, must adopt the longer view for a successful partnership. The foreign firms must be willing to train and there must be a pool of local engineers willing to be trained. Capacity building is essential for a long term approach.
- Government procurement policies must favour firms with local input. This approach encourages foreign firms to build capacity among the locals.



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THANK YOU

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