



Dr. Chen Yuhong

Chairman of the Board & CEO, ChinaSoft International

Editor's Note: In this month's issue of MW Executive Perspective, martinwolf interviews Dr. Chen Yuhong, Chairman of the Board and CEO of ChinaSoft International. Dr. Chen officially founded ChinaSoft in 2000 after a career in IT, having also worked at China National Software & Service Co., Ltd. and founding ChinaSoft Cyber Resource Information Technology Limited Corporation in 1996.

How does the current state of currency markets affect ChinaSoft's business?

First of all the Dollar-RMB relationship has been largely stable over the last year, ranging between 6.1 to 6.3 RMB per US dollar, or roughly a 4-5% range. And secondly, if the trend is for the dollar to continue to be stronger, the impact to our business would be mildly positive because we have Catapult and our Seattle operation, which generate revenue in dollars while some of the costs are in RMB. So the net result would be marginally positive. Overall, I would say that the effects aren't strong one way or another because of our business structure.

Having Catapult and other US business gives you a unique perspective compared with other Chinese companies. Would you say it is more difficult for US companies to get established in China or for Chinese companies to get established in the US?

There are certainly cultural differences between these two markets, but I think the larger issue is whether companies are able to provide the services needed for each market. Cultural differences aside, IT markets are changing rapidly, and IT services players must transform and adapt into their new environments, all the while taking advantage of new trends like cloud, social and analytics. At the end of the day, the goal is to provide offerings that fit the needs of our customers and compete with our competitors anywhere you go. While there are difficulties in each distinct geographical market, we see the opportunities are greater than the challenges.

Let me ask you a little bit more about the Catapult acquisition. What was the rationale behind that investment, which was one of the first significant acquisitions of a US IT company by a Chinese IT company?

We see acquiring Catapult as acquiring a stepping-stone to going global, and we felt it was a great match for our firm. Additionally, it allowed CSI to branch out into new businesses. Catapult has very high-end capabilities in terms of the Microsoft Stack as well as overall cloud technology. In fact, when Microsoft began selling Azure technology, they actually asked consultants from Catapult to coach

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their own salespeople on how best to market it. We wanted to leverage this expertise to expand both our presence and our capabilities.

What are some of Chinasoft's competitive advantages? Are there any companies you are looking to emulate or do you have your own unique model?

With regards to our competitive advantages, most of our business is in China where we serve all of the major verticals in the Chinese landscape. Additionally, we are one of the top tier IT services players here and we have extensive experience working with the government, telecommunications, technology and banking verticals. We want to use this experience as we expanded globally, and to do that we developed a strategy to grow as a platform for offering solutions in emerging sectors like cloud, social and analytics. In this way, we have been able to combine our resources—both man and machine—so we can operate as a fully featured platform in today's leading IT markets.

Who do you see as your biggest geographic competitors? Going forward, where do you expect your biggest competition to be from?

As far as global competitors go, Indian IT Services companies are obviously in front—and we haven't seen much competition from Eastern Europe thus far. But even compared with companies in India, we are very small. What we have currently is around 4.4 or 5 billion RMB in annual revenue, which is around 700 million USD. Our goal in 2 or 3 years is to get to 10 billion RMB, which is just shy of 2 billion USD. Then we'll become visible to the Indian guys, because they are around \$10 billion USD. So we still have some ways to go. But to explain where we'll be in the next few years, let me discuss what's happening with our partners—Huawei used to be a communications powerhouse, but recently it decided to become an IT powerhouse as well. We can help them, by supplying the IT Services component to their customers around the world, and in doing so we came face to face with global competitors. Huawei is now in 170 countries, and in many of those countries the large Indian players do not have a presence. So there's an opportunity for us.

Recently there has been news of the Chinese economy slowing down. How does that affect your business, and how will it affect you going forward, especially as Indian growth appears to be accelerating?

Yes, the growth rate of the Chinese domestic economy is, as we know, slowing down a little. But actually, there are indications that this is a positive development for the IT industry overall, and IT services especially. One of the plans that the Chinese government has put in

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place to counter this slowing is the modernization of various industries, including, for example, the manufacturing sector. I think the government realized that it could no longer just rely on human labor to grow the economy. We therefore expect more computerization, and a massive technology push in sectors such as manufacturing, supported by the Chinese government. This would translate to more emphasis on digitization and the accompanying hardware, software and services. We believe that trend is starting now, and has great positive implications for the IT industry.

How about the global economy as a whole? The US economy is recovering, but Europe continues to be slow. How does that affect you?

From our perspective, thanks to China's strong domestic growth, we've been fortunate to be able to grow rapidly even as the global economy has slowed in recent years. Now, as the European economy is starting to recover and the US economy begins to grow, we see more opportunities coming from the US and Europe in the next few years.

What are some of ChinaSoft's biggest opportunities right now? What are you excited about for the rest of 2015?

We are very upbeat for 2015 and beyond. The Internet segment in China has generated tremendous excitement in recent years especially in the social sphere (for example, Alibaba with Taobao, Tencent with WeChat). If you have a friend in China, it's virtually certain that they have a WeChat account. The market is such that the internet seems to be at the center of most of the major business developments in China, both from a consumer standpoint and stretching beyond that to major verticals like banking, manufacturing and everything else. It is believed that using Internet technology China can quickly catch up (and even leap-frog) world standards in many verticals, and I look forward to ChinaSoft being a part of that.

A second exciting area for us is the fact that technology is expanding the ability for the masses to participate in technical innovation. In China last year, the number of small businesses increased by 10 million, a figure that continues to grow today. China is trying to cultivate the culture of innovation that powered Silicon Valley. China wants to create a society that encourages the development of new ideas particularly in emerging areas like mobile, social and analytics. One thing that ChinaSoft is doing that I haven't really talked about until now is a reliable crowdsourcing platform (called JointForce, or JF) that allows companies to recruit human resources and tap into this culture of innovation. Companies both large and small that need additional scalable resources can use our platform to get the technical manpower they need to support new projects. With so many small

and new companies forming, ChinaSoft is extremely excited to be a part of this mass innovation movement. We're both anxious and confident about what this tool will do to help complement and facilitate this tremendous growth rate.